

From Revenue Farming to State Monopoly:
The Political Economy of Taxation in Colonial Indonesia,
Java c. 1816-1942

Abdul Wahid

From Revenue Farming to State Monopoly:
The Political Economy of Taxation in Colonial Indonesia,
Java c. 1816-1942

Van Pachtstelsel tot Regiestelsel:
Het Politiek-Economische Belastingen in Koloniale Indonesië,
Java ca. 1816-1942
(met een samenvatting in het Nederlands en Indonesisch)

PROEFSCHRIFT

ter verkrijging van de graad van Doctor aan de Universiteit Utrecht,
op gezag van de Rector Magnificus, prof. dr. G. J. van der Zwaan,
volgens besluit van het College voor Promoties
te verdedigen op Mandaag 18 November 2013
klokke 12.45 uur

door

Abdul Wahid

geboren op 11 July 1975
te Kuningan, West Java, Indonesië

From Revenue Farming to State Monopoly:
The Political Economy of Taxation in Colonial Indonesia,
Java c. 1816-1942

Abdul Wahid

Onderzoek Instituut voor Geschiedenis en Cultuur
Universiteit Utrecht
2013

Promotors:

Prof. Dr. Jan Luiten van Zanden

Dr. Remco Raben

Lay out: Eko
Cover design: Uji Nugroho Winardi

@2013 Abdul Wahid. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronics, mechanical, photocopying, recording, or otherwise, without the permission in writing from the proprietor.

ACKNOWLEDGEMENTS

Pursuing the highest academic degree in an international university in the Netherlands is a dream come true for me, an Indonesian student of history who was taught that here, in this 'mother country', the more complete traces of our past were well-preserved and critical examinations about it have been produced and developed systematically for such a long period. Therefore, I enjoyed the seven years of my study here as a kind of fascinating intellectual journey during which I had opportunities to be immersed in different historical schools of thought and to experience memorable encounters with various figures with great ideas and scientific works in historical studies about Indonesia and the rest of the world. However, it was also a working period consisting of various activities and exhaustive processes of research, reading, analysing, writing, consultation and revision. Throughout the entire process, I was fortunate to have been working and meeting with many peoples, colleagues and friends, who gave enormous assistances in various ways to whom I am greatly indebted. It is almost impossible to mention all of them in justice. However, I must mention some of them for their formidable contributions to the completion of this dissertation.

First of all, I am deeply grateful to my supervisor Prof. Dr. Jan Luiten van Zanden, who has been very helpful in providing all necessary assistance and guidance to support my research from the initial stage of conceiving research proposal until the final stage of writing. His comments and suggestions are essential to keep me

focus and to guide my research to the right track. More importantly he trusted in my ability to finish the task of writing a book on social-economic history of Indonesia. I thank also Dr. Remco Raben, who has been more than helpful as a daily supervisor and a good friend during the entire research. His meticulous reading and critical comments have saved me from making mistakes in understanding, analysing and interpreting the collected data. He has been tireless in reminding me to be a careful Indonesian historian, especially in dealing with the colonial government archives.

The Research Institute for History and Culture (*Onderzoek Instituut voor Geschiedenis en Cultuur – OGC*), Faculty of Humanities, Utrecht University had provided a generous financial and administrative support for my research project. For this, I thank Prof. Dr. Maarten Prak, then the Director of the Institute, who assigned me officially to be a PhD International Fellow, becoming part of the social-economic history research cluster within the Institute. This research group provided a high quality intellectual dynamic and academic atmosphere that could be best expected for conducting a PhD research. During the entire research period, I learnt a lot from seminars and conferences in this institute, therefore I want to thank the whole members of the social-economic research group. A special thank goes to Prof. Dr. Ewout Frankema for including a chapter of my thesis in his book on the comparative colonial extractive system in the Netherlands Indies and the Belgian Congo. Pim de Zwart has very kind accepted my request to act as my paranymphs together with an Indonesian best friend Ahmad Nuril Huda, hence I thank both of them very much.

My gratitude also goes to some colleagues in Leiden, where I based most of my research activities during the fellowship period. In Leiden University, Prof. Dr. Leonard Blussé is the one opened the door for me to attend an international graduate degree in the Netherlands through the Encompass Master Programme. He supervised my master thesis and gave an indispensable support to my application for a PhD scholarship to the University of Utrecht, providing me with all necessary endorsements, particularly a letter of recommendation and ‘intellectual lobby’. Dr. Thomas Lindblad has been a wonderful co-

supervisor for my master thesis in Leiden and was very keen spending his valuable time to read and discuss informally chapter by chapter of my dissertation. Dr. Alicia Schrikker was always very attentive on my research as if I was still her student at the Encompass Programme.

In the course of research process, I met many experts on Indonesian history who were willing to read, comment and gave their thoughts on certain parts of my dissertation. Therefore I thank some of them: Prof. Dr. Peter Boomgaard (KITLV), Dr. Peter Post (NIOD), Prof. Dr. David Henley (Leiden University), Dr. Jeroen Touwen (Leiden University), Dr. Huub de Jonge (Radboud University), all in the Netherlands and Prof. Dr. Robert E. Elson (UNSW) in Australia. Parts of my dissertation have been presented in various conferences in Medan, Solo, and Yogyakarta (Indonesia), Mumbai (India), Leiden, Amsterdam and Utrecht (the Netherlands), Antwerp (Belgium), Vienna (Austria) and Singapore. I would like to thank to participants in these conferences for their helpful remarks and critics.

I was lucky to have an enjoyable life in the Netherlands while faraway from family in Indonesia by meeting many fellow Indonesian but also non-Indonesian students from various universities in this country. They became a wonderful peer group socially and intellectually; with whom I shared a warm friendship that made my PhD years were less lonesome, less stressful and less boring. Some of them are Farabi Fakhri, Pam Van Thuy, Nadia Fauziah, Basri Amin, Rikardo Simarmata, Edegar de Conceicao, Herlambang Perdana, Hari Nugroho, Nuril Huda, Yanwar Pribadi, Yuanda Zara, Lusvita Nuzuliyanti, Murari Jha, Prima Nurrahmi, Julinta Hutagalung, F.X. Widiarso, Ariel Lopez, Andreas Weber, Monique Erkelens, Uji Nugroho, Ratih Kamiso, Intan Ludwina, Ravando Lie, Jajang Nurjaman and all members of the Indonesian Student Union (Perhimpunan Pelajar Indonesia) and Indonesian community in Leiden, Amsterdam and elsewhere whose names cannot be mentioned here. Sardjio Mintardjo and his Pondok Pak Min has been a caring *Bapak* who provides 'home' to me and to all Indonesian students in Leiden. Together with Kuslan Budiman, Sardjiman and other members of Sapu Lidi Foundation, he had shown a memorable example of how to become 'the real Indonesian'.

Their enduring love of ‘*tanah air*’, nationalism and spirit to gain ‘historical justice’ have inspired me and perhaps other new generation of Indonesian intellectuals studying in the Netherlands and elsewhere to write a ‘new history of Indonesia’ and hence give intellectual and social enlightenment when returning to Indonesia.

During my research years, I am indebted to many people working in various institutions in the Netherlands and Indonesia. In the Netherlands, I would like to thank to librarians of the KITLV Leiden, Leiden Universiteit Bibliotheek, the library of the Royal Tropical Museum of Amsterdam, the IISG Library of Amsterdam and the National Library of The Hague. I also thank the archivists of the KITLV Leiden, the Regional Archive of Leiden and the Nationaal Archief at The Hague. In Indonesia, librarians at the National Library of Jakarta, the Regional Library of Yogyakarta and the library of Sono Budoyo Museum of Yogyakarta and archivists at the National Archive of Republic Indonesia and at the Regional Archive of Yogyakarta had been very patient and helpful in providing the books and archives I requested for my research. This project benefitted a lot from the help of these people and therefore they deserve my sincere thanks.

This dissertation would never have been completed without the assistances of Rosemary Robson, who did a wonderful English editing that had improved the quality of this Manuscript, and of Esther Zwinkle, M.A. and Marek Ave who have translated my summary into Dutch. I would like to extend my deepest thanks for their help.

My study in the Netherlands received a tremendous moral support from all faculty members of the Faculty of Cultural Sciences and Department of History of Universitas Gadjah Mada in Yogyakarta, Indonesia. Prof. Syamsul Hadi, then the Dean of the Faculty of Cultural Sciences who granted me permission to take a study leaves for almost seven consecutive years. Dr. Pujo Semedi Hargo Yuwono, MA and Drs. Heru Marwata, M.Hum., the Dean and Vice-Dean for finance, asset and human resource affairs, have given enormous administrative and financial supports in the final stage of my study. Special thank also goes to the late Drs. Ahmad Adaby Darban, SU, then Head of History Department for his encouragement to take an

international graduate degree. Prof. Dr. Bambang Purwanto has been very influential in shaping my intellectual pathway and career since my early college years. Dr. Sri Margana, the Head of History Department, was always very kind in extending my study leave and in motivating me to finish it as soon as possible. I also thank all other colleagues at the Department for allowing me to temporarily suspend my duties as a lecturer to pursue PhD study in the Netherlands. They are Prof. Dr. Djoko Suryo, Prof. Dr. Suhartono, Prof. Djoko Soekiman, Prof. Dr. Soegjanto Padmo (the late), Drs. Machmoed Effendie, M. Hum., Dr. Nuraeni Setiawati. M.Hum., Drs. Andry Nurtjahjo, Drs. Arief Akhyat, MA, Julianto Ibrahim, S.S., M.Hum., Dr. Mutia Amini, M.Hum., Baha 'Uddin, S.S., M.Hum., Dr. Agus Suwignyo, MA, and Rika Sayekti, Amd.

Finally, I would like to extend my deepest gratitude to my family, particularly my parents (the late H. Nasrudin and Hj. Siti Masitoh), my parents-in-law (H. Majid Mugiyono and the late Hj. Istikharoh) and my brothers and sisters for their enduring support. As to my wife, Dhiyah Dwi Astuti, I offer my greatest gratefulness for her unconditional love and tireless support. It was her patience, sacrifice and devotion in caring and raising our children: Najma Aulia Jauharnafisa and Muhammad Aidan 'Ainusyams, during my long absence at home, that became my greatest source of strength to survive all difficulties during the entire study years in the Netherlands, and to finish it on time. Therefore, I fully dedicate this dissertation to her and to our children.

CONTENTS

ACKNOWLEDGEMENTS	ix
FIGURES.....	xviii
TABLES.....	xix
CHAPTER 1	
INTRODUCTION	1
• Background	1
• Research Question.....	5
• Modernizing The Colonial state: A Conceptual Framework	8
• Historiography	13
• Organization of The Thesis.....	17
CHAPTER 2	
TAXATION AND THE GROWING AMBITION OF THE COLONIAL STATE.....	23
• The Appropriation of Indigenous Taxes into a Colonial Tax System	24
• Landrent and The Cultivation System (1830-1870)	34
• The Colonial Tax Structure After 1870	43
• Some Estimates of Colonial Tax Revenue and Expenditure	49
• Conclusion	55

CHAPTER 3

REVENUE FARMING AND THE EVOLUTION OF THE COLONIAL TAX SYSTEM, 1816-1890S	59
• The Chinese and The Administration of Revenue Farming.....	60
• Revenue Farming in The Early State Formation Period, 1800s-1830	67
• Revenue Farming in The Period of High Colonialism, 1830-1890s	73
• Conclusion	89

CHAPTER 4

CHARTING A 'DOUBLE COLONIALISM' IN JAVA: THE PRACTICE AND SOCIAL CONSEQUENCES OF REVENUE FARMING, 1850-1900.....	91
• The Opium Farm (<i>opiumpacht</i>)	92
• The Small Tax Farms (<i>kleine verpachte middelen</i>).....	108
• The Socio-Political Impacts of The <i>Pachtstelsel</i>	122
• Conclusion	137

CHAPTER 5

IN SEARCH OF A NEW APPROACH: TAX REFORM AND THE INTRODUCTION OF THE NEW TAXATION SYSTEM, 1890–1910s	141
• The Investigation into The Chinese in Java and Madura	143
• The Abolition of Revenue Farming.....	150
• The Introduction of The <i>Regie</i> system	152
• The Conversion of Small Tax Farms into State Collected Taxes	170
• The Fate of The Chinese Tax Farmers (<i>Pachters</i>)	173
• Conclusion	180

CHAPTER 6

THE REGIESTELSEL AND THE LATE COLONIAL STATE: THE STATE MONOPOLIES AND THEIR CONSEQUENCES, 1915-1940	183
• The Opium Monopoly (<i>Opiumregie</i>)	185
• The Pawnshops Monopoly (<i>Pandhuizenregie</i>)	215

- The Salt Monopoly (*Zoutregie*)..... 224
- Conclusion 234

CHAPTER 7

TAX BURDEN AND ‘FISCAL (DIS)-OBEDIENCE’:

SOCIO-POLITICAL ASPECTS OF TAXATION IN LATE

COLONIAL INDONESIA, 1910–1942 239

- The Investigations into the Tax Burden 242
- In Search of Tax Equity: Unification of Tax System 263
- *Fiscal (Dis-)obedience: Reactions Against Taxation* 275
- Conclusion 289

CHAPTER 8

CONCLUSION..... 293

BIBLIOGRAPHY..... 305

SAMENVATTING..... 339

RINGKASAN..... 345

FIGURES

Figure 2.1.	Land rent revenue, 1816–1940	42
Figure 2.2.	Tax revenues from Java, 1850-1940 (in thousand guldern)	52
Figure 6.1.	Share of revenue of the three sectors in total income, 1850-1939.....	184
Figure 6.2.	Opium users in the Netherlands Indies: 1883, 1915-1940	198
Figure 6.3.	The financial development of the government pawnshop, 1901-1940	220
Figure 6.4.	Salt revenue, 1851-1940.....	228

TABLES

Table 2.1.	Estimates of the true value of the <i>Batig Slot</i> compared to official figures, 1831/40–1861/70 (in million guilders).....	37
Table 2.2.	Fiscal balance of the Netherlands Indies, 1921-1940 (in million guilders)	39
Table 2.3.	Government revenue, 1817-1939 (yearly averages in million guilders)	50
Table 2.4.	Per centage breakdown of tax revenues, 1912/16 and 1936/40.....	51
Table 2.5.	The structure of the expenditure of the colonial state, 1850s-1930s	54
Table 3.1.	Income from revenue farms in the Netherlands Indies, 1816-1915	79
Table 3.2.	The revenue of small tax farms in Java, 1851–1900 (in f1000)	88
Table 4.1.	Official allocation of raw opium per year and number of opium dens in Java and Madura, 1865 – 1881/1883 (in <i>kati</i> and unit)	94
Table 4.2.	The official price of opium in Java and Madura, 1870-1885 (in guilders)	97
Table 4.3.	Opium revenue per Residency in Java and Madura, 1860-1900 (in guilders)	100

Table 4.4.	Revenue of the small tax farms per residency in Java and Madura, 1860-1905 (in guilders)	111
Table 4.5.	Pawnshop revenue in several Regencies of Java and Madura, 1860-1900 (in guilders)	116
Table 4.6.	Government revenue from the tax farm of slaughtering cattle in various Residencies in Java and Madura, 1870-1895 (in guilders)	119
Table 4.7.	Opium consumption in Java and Madura in 1882/1883	128
Table 5.1.	The distribution of income among households and population groups in Java, 1880-1925.....	176
Table 6.1.	Opium sale and revenue, 1916-1940	189
Table 6.2.	Total registered opium users, 1915-1940.....	199
Table 6.3.	Anti-opium smuggling operation and its result, 1915-40	204
Table 6.4.	Hospitalized addicts in the Netherlands Indies, 1932-1940	212
Table 6.5.	The volume of business of the government pawnshops, 1901-1930	218
Table 7.1.	Government Revenue in the Netherlands Indies, 1900–1939 (in million guilders)	241
Table 7.2.	Income of the Javanese Population and Its Share in Tax Payments, 1913-1924 (in million guilders)	246
Table 7.3.	Regional Breakdown of Tax Per Capita in Java in 1924 (in guilders).....	248
Table 7.4.	Tax Per Head in the Outer Islands in 1927 (in guilders).....	252
Table 7.5.	Population Income and Tax Burdens in the Netherlands Indies, 1926-1932 (in million guilders)	257
Table 7.6.	Distribution of Tax Burden by Sector in 1929 and 1939	260

Table 7.7.	Indicators of Relative Tax Burden, 1926-39	261
Table 7.8.	Percentage Breakdown of Colonial Tax Revenues, 1901–1940.....	274

— CHAPTER 1 —

INTRODUCTION

‘Taxes not only helped to create the state. They helped to form it’ (Schumpeter, in Swedberg 1991:108).

Background

Historians of state formation in Western Europe have emphasized the central role of tax systems in the rise and development of modern states. They argue that during the long period 1500–1900, states in this part of the world created and refined their fiscal and financial systems, not only to extract revenue from the available resources, but also to strengthen control over their subjects, to defend territorial claims against external intrusion and to enhance their legitimacy and authority against internal threats (Arden and Tilly 1975; Tilly 1990; Bonney 1995). By the early nineteenth century, most states in this region had established liberal regimes, which differed considerably than their predecessors. The new states played an increasing role in social, political and economic life, and had a better connection with their population after converting them from subjects to citizens. They imposed taxes and regulations, and provided public goods and domestic security (Cardoso and Lains 2010: 1-2). Considering the crucial role of taxes in the state-formation process, Levi (1988: 1)

writes: 'The history of state revenue production is the history of the evolution of the state'.

In Asia in general, and Southeast Asia in particular, historians like Robert Elson have noticed that similar processes took place only after the 1800s when European (and indigenous) administrators repeatedly, but not simultaneously, introduced fiscal reforms to improve the efficiency, capacity and financial basis of their (colonial) administrations. This process resulted in a new type of state administration in the region, characteristic of a 'modern state' (Elson 1992: 153). Bayly argues that tax reform was indeed a crucial part of the global state-formation process that occurred in various parts of the world throughout the eighteenth and nineteenth century; a multifaceted process that marked the birth of the modern world (Bayly 2004).

In the wake of Skocpol's 1985 study *Bringing the State Back In: Strategies of Analysis in Current Research*, historians have responded to his challenge by studying colonial states and their various institutions in Asia and Africa, also paying close attention to the long-term consequences of their operation in these regions. They acknowledge that the newly established post-colonial states have inherited various problems and institutions from their colonial past, including their fiscal systems (Mamdani 1996, Booth 2007). As Chatterjee has compellingly argued, former colonies have often retained colonial arrangements to do with law, administration and the technical services of government, including a tax system, taking these over with the characteristics and a structure geared to the specific interests of a colonial regime (Chatterjee 1993: 15; 2004). A study of the colonial practices of taxation, therefore, has a great relevance to our understanding of the post-colonial state.

Tax systems are indicative of the nature of the colonial state administration as a whole. As do other parts of the state apparatus, the tax system reflects the underlying ideology of the state (Althusser 2006: 90). Moreover, taxation forms a central arena of power contestation between a government, its agents, and its tax-paying subjects, a place state and society closely interface. Taxation in a colony not only functioned as a device to raise revenue; it was also used as a bureaucratic

tool to control the subject society at large. In both functions, the expanding tax regime reflected the growing ambitions of the colonial state. The state needed more revenue to finance its 'agenda'. Politically, to achieve its ambitions, the colonial state gradually refined its system of control by expanding and modernizing its bureaucracy, its administrative structure, its military and its infrastructure. If it were able to improve law and order it could buttress economic development. Consequently, taxation played a key role in building and sustaining the authority of the state, and shaping its ties to society. If this premise is accepted, the state introduced tax reform policies for the purpose of improving tax administration, increasing revenue and strengthening control over its taxable subjects and the society under its territory.

Apart from the official aims of taxation and tax reform in the colonial state, one very important issue is the effect its imposition had on the population: How extractive was the colonial fiscal system? Did it contribute to the stagnating or even declining standards of living of the indigenous people? It is plausible to postulate that it affected different groups of population in the colony in varying degrees, and this raises the question of what effect did the burden of taxation have on the disparate groups of taxpayers? Another issue prompts the question of what were the long-term effects and legacies of the colonial fiscal system, especially in shaping the post-colonial state practices. This matter includes dissecting the legacies of the colonial state inherited by the post-colonial states, and the extent to which the new governments retained the characteristics of their colonial past.

The present study focuses on various aspects of the former issue, by examining the transformation process in colonial taxation with an emphasize on the revenue side of the fiscal system, the reasons behind it and its effects on the state administration and society in Indonesia, especially in Java. It focuses in particular on the *pachtstelsel* or system of revenue farming that involved a non-state third party in its operation, and on its later substitute system, the *regiëstelsel*, a monopolistic form of a fully state-administered tax-collecting system that the Dutch colonial government introduced in the early twentieth century.

Revenue farming had been in existence since the era of the Dutch East India Company (*Vereenigde Oost-Indische Compagnie* – VOC), and was almost exclusively operated by Chinese entrepreneurs (Butcher & Dick 1993). The choice had fallen on a tax farming system because the VOC lacked both the resources and the administrative structure adequate enough to handle the collection of taxes. In the nineteenth century, tax farming yielded precedence to more lucrative sources of revenue for the colonial state: the state monopoly on export agriculture under the Cultivation System and the imposition of land rent in Java (Fasseur 1975, 1992). Nevertheless, the colonial government continued to collect revenue from non-agricultural sources, including fishery, trade, entertainment, services and consumption. Just as in other parts of Southeast Asia, this system was operated through at least four different methods, namely: *first*, by giving tax farmers the exclusive right to buy up particular commodities; *second*, by granting the right to collect a tax on the means of producing a certain commodity; *third*, by delegating the authority to collect import, export and transit duties; and *four*, by issuing licences for the exclusive right to provide certain commodities or services such as the distribution of opium, liquors, salt, the operation of opium dens and pawnshops (Butcher 1993: 21-22).

The Dutch colonial administration usually distinguished between two categories: opium revenue farms (*opiumpacht*) and the small revenue farms (*kleine verpachte middelen*). Unquestionably, the opium farm was the most lucrative and important, both in terms of financial gain and social effects. The small revenue farms provided a far smaller financial yield, but were still considered important to the government administration at the local level. Although revenue farming did not produce as much revenue as the Cultivation System, it did make a substantial contribution to the government treasury. During the period 1836–1875, the system generated tax income worth 459 million guilders or 23.3 per cent of the total revenue collected in the Netherlands Indies, which almost covered the total cost of transporting the products of the Cultivation System during the period 1830–1870 that amounted to 478 million guilders (Diehl 1993: 199-200).

From the mid-nineteenth century, the tax farms began to elicit mounting criticism. The opium farm, in particular, was viewed as a major problem, but the other revenue farms were also considered prone to corruption and liable to suffer from administrative inefficiency. Most worryingly, this was largely seen as contributing to the impoverishment of the indigenous people and the erosion of the legitimacy of the colonial government. Growing awareness of the deficiencies in revenue farming was accompanied by a rising fear among the colonial officials of the waxing economic influence of the Chinese, viewed as possibly a threat to the interests of Dutch private capital and the colonial government. Eventually, with the increasing centralization of state functions after the mid-1890s the colonial government gradually abolished the system. Some important revenue farms, like those on opium, pawnshops and salt were retained under the so-called *regie* system – a state monopoly fully operated by government officials. Others were converted into state-collected tax schemes, but those of little importance were abolished.

The analysis of the transformation of the tax regime will be located at the confluence of administrative mentality and socio-economic change in the Netherlands Indies. One thrust of this study will track the changing views of government officials on methods of taxation, including an analysis of how taxation shaped power relations in different periods and places. The other thrust will demonstrate how tax reforms were related to the social and economic effects of taxation on colonial society.

Research Question

The centre point of this study is the period of the reforms of the tax system in the late nineteenth and early twentieth century. In order to understand the rationale behind these reforms, it is necessary to analyse the workings and effects of the preceding tax regime, the revenue farming. The timing and nature of the tax reforms reflect the evolution of the colonial state. Therefore, the goal of this study is to answer the following questions. Why did the colonial government

reform and reorganize its tax system in the way it did? What were the effects of revenue farming and its substitute system on society? What clues do these give to the changing nature of the colonial state in Indonesia? Using these questions, this study will examine two interrelated aspects of the practice of colonial taxation in Indonesia. *First*, the governmental aspect including the organizational structure, aims and mentalities of the colonial state, and the importance of tax revenue to the financial framework of the colonial state. *Second*, it is an attempt to cast light on the side of those governed, including effects of changing fiscal policies and the reactions engendered in different groups of society.

The study concentrates mainly on Java, the most important part of the Netherlands Indies during this period, where government policies were most intensively experienced and most inhabitants lived. Colonial government actions in Java are also the most widely documented. In order to discover the continuity or discontinuity of revenue farming and its replacement, the study covers a time span from 1816 to 1942, but with an emphasis on the period after 1870. Chronologically, this period can be divided into three phases: the revenue farming period (1816 until 1895), a transition or reform period (1895 to 1915) and the state monopoly period (1915 until 1942). The beginning and end of the temporal scope of this study can be considered turning points in the colonial history of Indonesia. The year 1816 is the beginning of the Dutch colonial administration on Java, while 1870 was emphasized as the end of the 'fiscal surplus' period with the abolition of the Cultivation System (Day 1900; Booth 1998). This break forced the colonial government to reformulate its fiscal policy. This year also marked the commencement of a liberal period with the promulgation of the Agricultural Law of 1870, after which the state allowed more space for private capital incentives in the colonial economy. And in 1942 the Japanese military occupation effectively ended the Dutch colonialism in Indonesia.

One relevant point of analysis is the connection between the issue of tax reform and the socio-economic development of Java. Several scholars have stressed the poor living conditions of the indigenous

population and the disappointing economic development in the Netherlands Indies, Java in particular, during most of the colonial period. Economic historians have produced estimates of economic performance in Java, among other methods by measuring productivity growth and the purchasing power of the people. Van der Eng (1992), Maddison (1989), Booth (2001), Dick, *et al* (2002), and Van Zanden and Marks (2012) have demonstrated that throughout the nineteenth century Java had underwent less economic development and had a lower GDP per capita than the European countries. Older authors such as J.H. Boeke (1961) and C. Geertz (1963), inventing and employing the now classic concepts for the colonial economy as *economic dualism* and *agricultural involution*, emphasized the ‘backwardness’ and ‘stagnation’ of Javanese society and the economy. Subsequent scholars have severely criticized these theories, rejecting the static picture of colonial Java and demonstrating the presence of demographic growth, economic diversification and monetization, all pointing to a more dynamic situation. In general, however, historians agree that Java during the heyday of Dutch colonialism was in many respects underdeveloped in comparison to European countries. The question remains, then, if and how the level and methods of taxation contributed to the relative poverty of Java during the colonial period.

The performance of the tax system is crucial to understanding of both the working of the colonial state and the pressures of the system on the people of Java. This analysis has been greatly helped by the existence of a great number of sources, both quantitative and qualitative. The bulk of quantitative data on the performance of taxation system in colonial Indonesia have been taken from the annual Colonial Reports (*Koloniaal Verslag*, 1848–1924), Annual Statistical Survey of the Netherlands Indies (*Statistisch Jaaroverzicht van Nederlandsch-Indië*, 1925–1930), and the Indies Report (*Indisch Verslag*, 1931–1940). Other statistical sources used have been the population censuses of 1920 and 1930 and the series *Changing Economy in Indonesia*, a comprehensive compilation of statistical data on various aspects of Indonesian economic history during the colonial period. Last but not least, this study also uses an online database of the Indonesian economy

at the website of the International Institute of Social History (IISG) in Amsterdam (<http://www.iisg.nl/indonesianeconomy>), which includes statistics on public revenue and expenditure in colonial Indonesia from 1848 until 1940.

These quantitative data provide information on the operation of the tax system in Java, and other parts of Indonesia. The statistics enable calculation of the general trends in revenue collection and the proportion of tax revenue in the total income of the colonial state to be made. Combined with data on demography and costs of living, this enables the reconstruction of an indication of the tax incidence of and the pressure on the Javanese population. However, despite the enormous amount of quantitative detail, these figures only represent part of the story: that of government finances. The process of the operation, the experiences of the population and the considerations of the government can only be understood by the perusal of a wide range of qualitative sources. Here the researcher is confronted with an archival problem. Almost without exception the documents pertaining to the collection and payment of taxes were produced by the colonial bureaucrats, and hence mainly reflect their preoccupations, internal discussions and administrative surveys. It has proven to be extremely difficult to see how the taxation collection operated on a daily basis and at village level. This study by necessity relies heavily on official sources. The archives of the Ministry of Colonial Affairs and published documents of the colonial government of the Netherlands Indies are indispensable sources for such research. In order to get a non-state and local perspective, this study also uses information from selected newspapers and other publications, such as pamphlets or journals published by non-state organizations.

Modernizing The Colonial state: A Conceptual Framework

The transformation of the colonial tax system in the context of colonial state formation in Indonesia, from its beginning as a system of revenue farming into state directed taxation and monopolies, is the central focus of this study. It draws on various historical works on the

subject. Its biggest debt is to the work of Dick and Butcher (1993), the only work so far to discuss the system of revenue farming and its connection to the evolution of the colonial state in Southeast Asia, in particular in Indonesia, comprehensively. In his contribution to the book, Dick (1993: 4) offers a broad definition of revenue farming as:

A system by which the state leased, through auction to the highest bidder, the monopoly right to conduct a particular service, collecting taxes in particular, or to engage in a particular activity for profit, in return for an agreed fixed price paid in advance to the state on a routine basis.

Dick argues that revenue farming was a system of tax collection characteristic of an early stage of state formation. The state retained this system of tax collection until it managed to centralize its power and assume the character and function of a modern, rational-bureaucratic state (Dick 1993: 5–6).

Irrespective of the effects it had on society and the economy, revenue farming can be considered one of the key institutions in the modernization process of the colonial state in the Netherlands Indies. The expansion of the colonial state in the late nineteenth century and thereafter necessitated a reform of revenue farming and it relied on a long tradition of trial and error. As the colony grew, revenue collection had to be made more efficient and better regulated, if it were to serve the changing needs and aims of the colonial government. Elson (1992) has shown that the Netherlands Indies and other colonial states in Southeast Asia began its political transformation from a relatively 'weak state' to being a 'strong state' in the mid-nineteenth century. By the first decade of the twentieth century, many colonies in the region already employed the organizational principles of a modern state. Elson mentions five characteristics that made the modern colonial states of Southeast Asia stand out from their predecessors: 1) the growing size of bureaucracies and the concomitant management requirements; 2) an expanding scope of the bureaucracy charged with more tasks and areas; 3) an increasing intensity of governance with more officials, high frequency of intervention and greater efficiency; 4) a more rational,

impersonal, sophisticated and Westernized style of administration generating a huge amount of paper usage; and 5) a more centralized authority and control system allowing the establishment of a more regular and compact hierarchy (Elson 1992: 153-56).

The trend towards a bigger and more intrusive bureaucratic state was certainly visible in the Netherlands Indies, but its character continued to be heavily influenced by the peculiarities of colonial rule. From a fiscal point of view, the changes in the tax system in the Netherlands Indies in the late nineteenth and twentieth century indicate a major transformation of the colonial state. But did the changes in the tax system really bring or transform the Netherlands Indies into a modern fiscal state? What was a modern fiscal state actually mean in the context of nineteenth until early twentieth century?

Studenski (1936) has defined a modern fiscal state as one with a tax structure consisting of seven types of taxes: namely, personal income tax, inheritance tax, property tax, general sales or turn-over tax, excise, custom duties, and poll tax. Above all, Studenski considers personal income tax, including business tax, to be a major characteristic of a modern fiscal system, since it was levied in the wake of capitalist economic development. Another scholar, Hu Wengkai (1997) makes a comparative study of fiscal policies in England, Japan and China in the eighteenth and nineteenth century. He postulates that a modern fiscal state would have had to have the institutional ability to use its tax revenues to mobilize long-term financial sources from the markets. Hu Wengkai concludes that a modern fiscal state can only be established after three requirements have been met. First, the state as a political entity has to have become highly institutionalized; second, the state should have developed sophisticated tools to deal with its market economy and third, society has to be highly monetized, so that all economic transactions can be implemented in a single currency (Hu Wengkai 1997: 225-35).

In the context of Western Europe, by the same token, Bonney and Ormrod (1999) argue that (modern) fiscal states emerged in most of the states only after 1815, when they left completely behind the previous practices of a tributary, domain, and tax state. One of

the important indicators is that taxation was now fully controlled by a central government, which geared to finance its goals. Driven by warfare, the rise of fiscal state was accompanied by the increasing capacity of state management in raising taxes and of financial institutions to manage public debt, which led to the creation of central banks and financial market. Another important characteristics of fiscal state are the coercive-approach was used only to law enforcements, the state was inclined to provide public goods and economic investments, and the structure of state revenues changed to be adapted to the new state functions. In regard with the concept of ‘modernity’ in the organization of public finance in the nineteenth century liberal states of Europe, Cardoso and Lains (2010: 6) argue that the concept refers to:

‘... the enhancement and consolidation of the functions that are generally ascribed to fiscal states. These functions are usually associated with the management of new types of state revenues, based on both direct and indirect taxes, as well as with the administration of an expansionary state committed to increasing control over its territory and to fostering public education, welfare, justice, investment in economic infrastructures and defence.’

In an attempt to put these works into perspective, this study investigates whether the tax reform of the colonial government at the dawn of the twentieth century resulted in a new tax structure in the Netherlands Indies that applied the principles of a modern fiscal state as suggested by these authors.

Obviously, colonial states did not behave in the way non-colonial states did, the difference being that a small foreign elite ruled the colony, and the state was of an exploitative nature. Referring to their expenditure pattern, colonial states have varyingly been characterized as ‘night watchman’, ‘predatory’ or ‘extractive’ and ‘developmental’ states.¹ Morris introduced the term ‘night watchman’ state for the first time in 1963, when discussing budgetary policies in nineteenth-

1 Unless otherwise indicated, all discussion on the nature of the colonial state is taken from Booth’s articles (2007: 241-66).

century India. Morris introduced that British colonial policies were basically biased in favour of the welfare of Indian people, although government revenue and expenditure also increased significantly after 1900. The terms 'extractive' or 'predatory' state have been used by those scholars who have asserted that the colonial state policies were merely serving the interests of European capitalists, best exemplified by the case of Belgian Congo (Roger Thomas 1966). These scholars also argued that the principal aims of such 'development projects' of the colonial government as the construction of railways and irrigation systems, and providing education facilities were to encourage the export economy to the benefit of the mother country and to provide cheap labour, as well as to reinforce a long-term colonial strategy. In short, the impact of colonial policies on the local people and economy was largely negative, and in the long term this skew contributed to the underdevelopment of former colonial countries (Booth 2007: 241-66).

Such scholars as Kohli, Ho, Amsden and Tsurumi use the term 'developmental' state to characterize Japanese colonial policies in Korea and Taiwan. In Korea, the colonial state laid the foundations of the economic transformation after 1945, whereas in Taiwan Japanese colonialism promoted agricultural development. Booth argues that the colonial governments in Southeast Asia pursued different policies, and the differences were accentuated even more after 1900. The British in Malaysia and Burma deployed a somewhat *laissez-faire* tradition, which differed from the more activist and interventionist approach of the Dutch in Indonesia or the French in Indochina. Examining fiscal policies, Booth argues that, although the colonial regimes in Southeast Asia succeeded in extending their revenue base, building infrastructure, developing an export economy and promoting indigenous welfare, they failed to establish a solid base for continued economic transformation. Consequently, the colonial states in Southeast Asia had an ambiguous character. Neither were they aggressive predatory colonial regimes, nor were they fully 'developmental regimes' (Booth 2007: 262-64).

The term 'late colonial state' is of recent making and often used to figure out certain specific conditions and characteristics of colonial state in the twentieth century. The volume edited by Robert Cribb

and published in 1994 is perhaps the first comprehensive effort to investigate various aspects of the late colonial state in Indonesia. In his introduction to the book, Cribb identifies at least four characteristics of the late colonial state of the Netherlands Indies. The first, the racially based legal and administrative system benefited the state. The second, outstanding marker was the political emphasis on *rust en orde* or security and order. The third, identifying characteristic was a bureaucratic structure dominated by the military and civil servants (*Binnenlandsch Bestuur*). The fourth, attribute was the export-oriented economy based on primary agricultural commodities. All in all, these characteristics formed a general feature of the late colonial state in Indonesia, referred to as a *Beambtenstaat* or bureaucratic state (Cribb 1994: 3-4).

A more analytical contribution to the issue is John Darwin's survey of the specific characteristics of 'lateness' in colonial rule (Darwin 1999). Darwin argues that in the twentieth century the late colonial states were not only 'bigger' in terms of bureaucratic evolution, but also more proactive or developmental, more densely institutionalized, more concerned about security issues, more open to foreign influence and eventually self-destructive in the sense that at the very end colonial authorities were consciously working towards independence. These characteristics did not emerge simultaneously in each of the colonial states. More importantly, Darwin notes, they cannot be treated as a synonym for colonial government and administration, but as a wider concept of contestation of power and political interests (Darwin 1999: 74-75).

Historiography

Colonial taxation in Indonesia, Java in particular, has been a subject of interest to historians and social scientists for decades. Most studies focus on the Cultivation System and the land rent. The work of Bastin (1954) and Hugenholtz (2008) on land rent, and of Fasseur (1992), Van Niel (1992), and Elson (1984, 1994) on the Cultivation System are the best-known contributions. Curiously, only a few authors

have examined other forms of government revenue, in particular the revenue farms and their successor, the *regie* system. Certainly the Cultivation System and the land rent did form the backbone of colonial fiscal policy, and have understandably received more attention. This leaves the question of what did the revenue farms contribute to the financial policies of the colonial state, and what was their effect on the operation of the colonial state and the living standards of the Indonesian population.

Even in colonial times, only a few authors bothered to look closely at the workings of the revenue farms, especially in the period when these came under fire. The largest study of revenue farming in Java was a doctoral thesis of Theodore Thomas (1893). Not only did he incorporate previous reports and brochures written by colonial officials, such as Vitalis (1851), De Waal (1865), and Bool (1892), he also analysed the system in the context of colonial finances and the colonial legal system. As far as this study is concerned, Thomas' work was a breakthrough since it ushered the subject onto the academic scene. Previous works appear to have been intended more as political pamphlets or colonial administrative reports penned in response to changing colonial government policies. Thomas' work remained the only in-depth study of the system until the late twentieth century, when Reid (1993) and Diehl (1993) revisited the matter. Reid analyses the conceptual origin and early practice of revenue farming in the Malay world and Java, whereas Diehl presents a quantitative analysis of revenue farming in the Netherlands Indies and its contribution to colonial finance. They reveal two important aspects of revenue farming: the predominant role of Chinese businessmen and the financial significance of the system to the colonial government. These salient characteristics were not unique to the Netherlands Indies. Other authors have demonstrated similar processes in neighbouring countries and colonies such as Siam, Malaya and French Indochina. There are also case studies of persons involved in the system in the region before the 1940s (Wilson 1993; Trocki 1993; Nankoe *et.al.* 1993).

Dick (1993) and Butcher (1993) have repositioned the tax farming at the centre of state finances and state formation in nineteenth-

century Southeast Asia. In the introduction to their edited volume, Dick argues that studying revenue farming offers a fresh approach to Southeast Asian history, because the institution functioned not only as source of public finance but also as a nexus between the state and the business elite in which capitalist development and state formation were so closely connected, they were intertwined (Dick 1993: 3). Butcher postulates that the dynamic of revenue farms kept in tandem with the changing nature of states in Southeast Asia. In the early years of their existence, when the state in the region was decentralized and weak, revenue farms functioned as a kind of political compromise by which the state shared part of its authority with the commercially powerful Chinese. However, after the Dutch in Java, the British in the Straits Settlements and the Thai ruling elite consolidated and extended governmental power, revenue farms ceased to exist as a fiscal arrangement. Nevertheless, Butcher emphasizes, revenue farming was an essential part of state building in this region (Butcher 1993: 22-43).

The bulk of the literature on specific tax farms in colonial Indonesia is concentrated on opium. Without doubt, Rush's book *Opium to Java* (1990) is the most celebrated work on the history of opium farms and their socio-political impact on Java. Rush reveals the dominant role of Chinese as opium tax farmers (*pachters*) and the strategies adopted by the colonial government to regulate the distribution of the drug, to control the black market and to minimize its impacts on society in Java. He argues that opium farms played an important role in providing the colonial state and the indigenous political elite with revenue, also in paving the way for Chinese businessmen to capitalize their wealth that was crucial to the long-term Javanese economic development. The only flaw Rush's study is perhaps its lack of statistical data on the opium business as well as the weakness of the analysis of its link to the general evolution of colonial fiscal policies.

In contrast to the copious amounts of the literature on opium, studies on other revenue farms are far fewer and quite limited in scope. Some examples are Knaap and Nagtegaal's article on the salt trade in the seventeenth and eighteenth century (1991) and De Jonge's study of the salt monopoly in Madura (1993), the English translation of Vitalis'

study of the market tax farm by Fernando and Bulbeck (1992), and Van Zanden's analysis of the pawnshop in the capital market in Java (2009). Despite their limited number, such case studies about isolated revenue farms have offered ample evidence of the scope of these systems, embracing trade, production, consumption and taxation. They give an indication of their influence on different groups in Javanese society. However, as they are concerned with a single commodity, they barely touch upon the wider system of revenue farming, let alone colonial finances or colonial state formation. Likewise, economic historians working on colonial taxation in Indonesia have paid little attention to the contribution of revenue farming to the financial performance of the government. Anne Booth (1980, 1990, 1998, and 2003), for example, briefly mentions the contribution of the revenue farming in her overview and quantitative analysis on the evolution of fiscal policies, the tax burden of Javanese people, and the nature of colonial taxation in Indonesia. In an effort to fill this gap, this study, aims to supplement her survey by examining the contribution of revenue farming and its successor system to the colonial finance and its effects on society comprehensively.

So far only a few Indonesian historians have ventured to examine the history of taxation in the colonial period. Most works written by the first generation of Indonesian historians of the 1960s and 1970s, have viewed taxation as part of the system of colonial exploitation. Understandably, in the historical imagination of this first generation after Independence, protest movements agitating against colonial exploitation were embraced as a favourite subject of historical research. The works of Sartono Kartodirdjo (1966, 1973), the pioneer of modern Indonesian historiography, have stood as a model for other Indonesian historians. Onghokham has written several studies on the practice of colonial taxation in Java. In one article (1977), he discusses 'the Pulung Affair', a tax revolt in a village in nineteenth-century Madiun; in another work (1979) he examines the influence of tax levies on landholdings in Java. He gives a different perspective on the colonial taxation in an article published in 1985, in which he reflects on the long-term evolution of tax systems in Indonesia.

Since 1980, new developments in Indonesian historiography have taken place. The dominant nationalist perspective has been seriously questioned, as younger historians have tried out new perspectives. On colonial taxation, apart from Onghokham's articles (1985), it was above all Kuntowijoyo (1986) who has broken new ground by studying the taxation practices under the indigenous elite in Madura in the nineteenth century. He argues that the nature of the taxation under local rulers was as exploitative as that under the colonial government. Indigenous elites, he writes, often played a part in the exploitative taxation of the population for considerable rewards. Minangkabau historian, Rusli Amran presented another contribution to the subject in 1988 when he wrote a study of the tax revolt of 1908 in West Sumatra. He argues that the introduction of an income tax payable in cash in 1908 increased the burden on Minangkabau peasants, and this intolerably heavier load led them, under the leadership of traditional and religious chiefs, to rebel against the colonial government. Amran concludes that interrelated economic, social and religious factors were the underlying causes of the revolt.

So far almost no historical studies have comprehensively investigated the colonial tax system in Indonesia, in particular the system of revenue farming and its replacement by state directed taxes and state monopolies. This is where this study fits in.

Organization of The Thesis

This thesis is chronologically structured. Chapter 2 is the exception, as it provides a general background to the discussion in the book. It presents the bigger picture of colonial taxation in the Netherlands Indies, including the structure of taxation and the importance of tax income in the finances of the colony. It also discusses the position of revenue farming in the colonial tax structure of the nineteenth century compared to two other major fiscal systems, the land rent and the Cultivation System. The chapter argues, that during the Cultivation System period (1830-1870), revenue farming played a subsidiary role to the system of forced deliveries. After the abolition of the Cultivation

System, the significance of tax farms as a source of the revenue of the colonial government grew immensely.

Chapter 3 describes the general features of tax farming and its financial contribution to colonial state finance. This includes a discussion of the origins of revenue farming, etymologically and historically, including the general pattern of administration and the role of Chinese in the system, giving an overview of its evolution throughout the nineteenth century. The chapter concludes that opium lay at the centre of revenue farming financially and administratively. Apart from its function as a practical and low-cost system of tax collection, for the colonial government revenue farming was one of the best ways to make use of the economic power of the Chinese for the benefit of colonial administration. It also saved the government a great deal of expenditure, as it did not require an extensive bureaucracy to collect the taxes.

The regional pattern of revenue farming practice and its socio-political dimension are both analysed in Chapter 4. Focusing on Java and incorporating only a few cases from the Outer Islands by way of comparison, the chapter divides the discussion of revenue farming into three sections: on the opium tax farm, the smaller tax farms and finally their socio-political impact. The discussion of opium takes up the largest portion of the chapter, not only because of its economic importance, but also because of the complexity of its operation and its social consequences. In many regions of Java, the operation of opium tax farms was closely connected to the operation of other smaller tax farms, such as those on slaughtering cattle, pawnshops and gambling. The opium *pachters* often also held licences to collect taxes from the latter activities, paving the way to becoming 'dominant' tax administrator in their regions. In the long run, the substantial revenue contribution from revenue farming was being gained at the expense of increasing social problems, such as addiction and concomitant decline in public health, corruption and revenue drain, violence and criminality and mounting indigenous poverty. The chapter concludes that these problems were a major reason for the colonial administrators to decide to reform the system.

In Chapter 5, the reform process of revenue farming is discussed in detail. In total, the reform process lasted for about two decades, from the mid-1890s until the mid-1910s, and hence it did not occur simultaneously; some of the revenue farms were abolished in certain regions, whereas the substitute system was only introduced gradually elsewhere. The substitute system consisted of two forms of taxation: state directed taxes and taxes in the form of monopolies on opium, salt and pawnshops. Chapter 5 explains why the reform process took such a long time by examining the administrative adjustment required and all related issues this entailed, and also the reason behind those reforms. The chapter presents complementary discussions on the fate of the Chinese tax farmers, who were presumably most affected by those reforms. It concludes that the reform brought the Netherlands Indies one step closer to being a modern, twentieth century fiscal state.

The next two chapters discuss the new tax system that emerged after the reform processes had been completed. It analyses how the system worked under the premise that this marked of a new approach to colonial policies up to the end of colonial period. Chapter 6 examines three government monopolies: the opium, salt and pawnshop monopolies, whereas Chapter 7 surveys the new taxation by emphasizing the impact of further tax reform on the equity and distribution of the tax burden among various population groups, the indigenous people in particular. In Chapter 6, the central issue is how far the operation of these monopolies was inspired by the new colonial policies, whereas Chapter 7 specifically discusses the issue to what extent the new tax policies heightened or reduced the burden of taxation on the indigenous peoples.

Chapter 6 takes the discussion on the opium monopoly as starting-point in its analysis of the operation of other monopolies, because opium had been the backbone of the previous tax farming system. Therefore, efforts to scrutinize the result of tax reform and the work of new tax system should commence from this business. Using first-hand information from the opium monopoly, the chapter concludes that, from a fiscal point of view, this institution had been highly successful in generating profit for the colonial government, but that

this institution was less successful in reducing the social problems related to opium. Although opium addiction declined, smuggling and corruption were still rampant. The majority of the rehabilitation centres for opium addiction were initiatives of private organizations. A more or less similar condition was found in the operation of the other two monopolies: salt and pawnshops. These organizations functioned quite well as profit-making institutions, but they were less concerned with the social adversities arising from their operation. In the case of the pawnshops, the colonial administrators could not completely eradicate the influence of illicit money-lending activities in rural areas, and they failed to stabilize a rate of interest that was consumer-friendly. The salt monopoly had even more extreme social consequences in Madura, the centre of salt production during this period. Protests by local salt makers frequently erupted there because this government monopoly had marginalized their position, filching their only means of making a livelihood. The general conclusion of this chapter is that the way these state monopolies worked reflected the ambivalence both in the Ethical Policy and in the final, advanced stage of the colonial state in Indonesia.

Chapter 7 surveys the work of taxation after the reform at the turn of twentieth century and examines to what extent these new taxation schemes operated according to their initial premises. One indicator is the issue of the tax burden, recommended to the colonial government as part of the Ethical Policy by some colonial observers and *ethici* (supporters of ethical policy). For this purpose, the chapter reviews the government-sponsored tax burden investigations in the 1920s revealing the perception of the colonial government on the tax burden issue. For comparison, the chapter presents some current studies of the tax burden as a check for the validity of those government investigations.

Chapter 7 also reviews the further tax reform that the colonial government launched in the 1920s and examines its results. From a fiscal perspective, this reform was quite successful in improving tax administration, but it failed to create a more equitable burden of taxation. The chapter concludes that indigenous people still had to shoulder a heavier tax load than a Chinese or a European, and this

apparently became the underlying cause of violent protests in many parts of the Archipelago up to the late 1920s. Resentment of taxation continued to smoulder until the end of colonial period, but from the late 1920s it was expressed in more structured, less violent way and was principally channelled through such a formal institution as the People's Council (*Volksraad*) or the Municipal Council (*Gemeenteraad*).

Chapter 8 is concluding the whole discussion. It contains the core findings of this study, linked to theory and devised to answer the main research questions of this study.

— CHAPTER 2 —

TAXATION AND THE GROWING AMBITION OF THE COLONIAL STATE

That which arose from political instabilities, the colonial state of the Netherlands Indies was officially established in Java at the beginning of the nineteenth century to replace the VOC administration that had been in power since the early seventeenth century. Java remained the main stronghold, and Batavia, now Jakarta, was the capital city. Besides introducing a new system of administration, for various reasons, the new colonial administration retained some aspects of the Company administration. The fiscal sector was one area in which the colonial state retained some existing taxes and introduced new ones. The latter were primarily developed from extant indigenous taxes and were closely associated with the local socio-economic structure. Eventually, these taxes were transformed into the colonial taxes that became important element in the modernization process of the administration of the colonial state in Java.

In chronological order, the evolution of colonial taxes in Java can be divided into the following phases: the first reform period (1800-1830), the Cultivation System period (1830-1870), the second reform and intensification period (1870-1900) and the final period of colonial

taxation (1900-1940). In each of these phases, the colonial government introduced tax reform policies in response to the changing socio-economic circumstances in the colony. The principal purpose of this chapter is to answer the following questions: Why did the colonial taxation develop the way as it did? What factors determined those changes? How did these developments reflect the growing ambition of the colonial state? On the assumption that the colonial state was the successor to indigenous states, it begins with a review of the indigenous origins of colonial taxes in Java.

The Appropriation of Indigenous Taxes into a Colonial Tax System

Obviously, as one section of the colonial state administration, taxation did not develop in a vacuum, and naturally it was the product of a particular socio-political background. Since the early VOC period, when the Company began to establish an embryo territorial state administration in Java, the Dutch had adopted various indigenous fiscal institutions that were part and parcel of the existing socio-political structure (Nagtegaal 1996: 9). This pragmatic approach was the only logical option for two reasons: the Dutch had only limited human resources at their disposal and could exert only a tenuous political legitimacy to govern their expanding territorial acquisition. By the end of the Company period, the Dutch colonial taxation in Java had evolved into a mixed system in which some of the existing indigenous fiscal practices had been retained and institutionalized, while others were invented by the Dutch to serve their political economic interests (van Goor 2004; van Niel 2005). Hence, it is plausible to argue that the local taxes levied by indigenous rulers were actually the basic ingredients in the initial tax structure of the colonial administration. However, the question still remains: which indigenous taxes did the Dutch appropriate into their own taxes?

A search for an answer requires tracing the history of taxation in Java back into the pre-colonial period. Before the coming of the Dutch and other Europeans, indigenous local states in the Archipelago

imposed different types of taxation systems, as would be expected closely linked to their respective political system and geographical economy. Scholars have identified two types of indigenous states in the Archipelago: maritime and agrarian kingdoms (de Graaf 1976; Schrieke 1955). The maritime kingdoms, whose centers were situated in the coastal areas, usually had an economy based on trade and shipping, with agriculture produce bringing in supplementary income. In these realms, excise tax on trade and customs duties or a system of tariffs in the port were the prevailing fiscal systems. The tributary system was a rare exception. This kind of political tradition was found in Sumatra and coastal kingdoms in Java. In contrast, in kingdoms located in the hinterland areas, land and labour and their produce were the most important sources of income. Therefore, the king had an absolute right to the land and people living on it. Feudal taxation systems were commonplace in these polities in which people were expected to pay various taxes, mostly in kind and corvée labour, as well as handing over regular tribute to their king or landlord. A combination between maritime and agricultural-based taxation was a peculiarity only of the large kingdoms with vast territories covering both coastal and hinterland areas, like Sriwijaya in Sumatra between the seventh and ninth century, Majapahit in the fourteenth century Java, and Mataram which rose to power in the the sixteenth century (Onghokham 1985: 80).

As the Dutch concentrated their territorial administration in Java, it stands to reason that the feudal taxation of the sultanate of Mataram would have been the most influential indigenous institution they adopted in their efforts to establish a colonial taxation system in the island.¹ The sultanate of Mataram (established ca. 1570) was the

1 The empire was built on the foundations laid by Panembahan Senapati (r. ca. 1584-1601). In the literature, Sultan Agung (r. 1613-46) is lauded as its greatest ruler. He successfully put Central and Eastern Java, including the Eastern Salient and Madura under the control of Mataram but failed to conquer the VOC stronghold of Batavia. After the death of Sultan Agung, the power of Mataram gradually ebbed, undermined by a string of wars of succession. The conflicts allowed the Dutch to strengthen their influence and increase their intervention. This peaked in 1755, when the warring princes signed the Treaty of Giyanti, which divided Mataram into two smaller kingdoms:

most powerful and the last independent Javanese kingdom, which controlled the major part of the central Javanese hinterlands and to a lesser extent areas in the northern coastal belt regions. From the early seventeenth century, it was also the most powerful challenger of the Dutch. For administrative purposes, Mataram territory was divided into three categories following the logic of concentric circles: the *nagaragung* (the core region), the *mancanagara* and *pasisir* (the outlying provinces), and the *tanah sabrang* (the overseas territories). The division indicates a declining hierarchical degree of the king's influence, which was exercised through taxation and a tributary system. Consequently, it can be assumed that the king had a stronger territorial claim in the *nagaragung* than in the *mancanagara* or *pasisir*, let alone in the *tanah sabrang*. A very large part of the taxes collected from those regions, whether in kind or labour, had to be handed over to the king and his vassals (Moertono 1981: 112-13; Soemardjan 1962: 24).

As an agrarian state, in its early period the finance system of Mataram kingdom was based on land and its produce. The principles of self-sufficiency and 'autonomy' (autarky) were the guiding principles in every administrative and territorial unit. As there was no centralized state treasury to manage resources, financial needs were dealt with in various ways. Each unit was allotted its own source of income; this could be a piece of land, a special tax or manpower that had to be exploited to cover all expenses. Under this scheme, for example, the court was allocated a special district to provide the king's rice, certain villages had to provide coconut oil, and there was a special forest to supply teakwood for the royal building projects. This scheme was repeated on a lesser scale in the royal households and their vassals in the *nagaragung* areas, or in *bupati* (regents) households in the *mancanegara* regions. In addition to revenue from agrarian produce, the king also received considerable revenue from other sources, namely from inland trade (*beya*), market (*pasar*) activities, toll bars on roads and rivers (*bandar*), and tribute payment in kind or labour from regents in the *mancanegara* or *pasisir* regions (Moertono 1981: 119-21).

Surakarta and Yogyakarta. For a detailed account of Mataram history up to the Java War, see Ricklefs (1974, 1993, 1998); Houben (1994), and Carey (1975, 1997, 2007).

As its political influence in the *pasisir* regions waned, especially after the calamitous reign of Susuhunan Amangkurat II (1677-1703), Mataram could do no more than collect a small amount of the estimated tribute from the local regents in the coastal regions. The Susuhunan was worried that introducing heavy taxation there would inflame political resentment among the regents. The bulk of the tribute levied on the coastal regents was derived from trade and was paid in cash.² It was highly unlikely that tribute in kind would ever actually have been delivered, and tribute in the form of labour was required only when the regent paid one of his mandatory state visits to pay the *Susuhunan* obeisance. He expressed his fealty in concrete terms by bringing with him a number of men to lend a hand with the maintenance of the *kraton* or the mosque (Nagtegaal 1996:46-7). In the levying of the tax on trade or at toll bars, the *syahbandar* played an instrumental role. In their function as harbour masters or toll gatherers, they levied the taxes on trade in all commercial goods entering or leaving the port or town, either by land or by sea. The position of *syahbandar* was often farmed out to the highest bidder to ensure that the tax was collected efficiently and to overcome the problem of finding skilled administrators to appoint to this job. Long before this period, Chinese merchants had already emerged as important players who dominated the function of *syahbandar* in many port cities of Java. Scholars have considered the *syahbandar* function as one of the earliest forms of tax-farming activities in Java (Reid 1993: 77).

Apart from this regular tribute, after 1680 the *Susuhunan* also imposed a special tax by demanding regents levy revenue from all agricultural produce under a more or less similar arrangement to that in the *nagaragung* areas. It was not a success, as the final sum received by the *Susuhunan* was often less than the total yield of revenue. In 1683, for example, the courtiers believed that the tax assessment would amount to between 200,000 and 300,000 *reals*, but the amount that reached the court was only 30,000 *reals*. The problem of the disappearing cash lay in the multiple channels the money had

2 The common currency used at this period was Spanish silver *reales* or rix-dollars (*Changing Economy in Indonesia*, hereafter *CEI*, vol. 6, 1980).

to pass through before reaching its intended destination. In fact, it reduced the net income from the *pasisir* region. In the long run, Nagtegaal concludes, in terms of tax revenue and economic resources, the *pasisir* was an unprofitable region for the Mataram court, but in the Dutch eyes it was very important as an entry point from which to encroach on the hinterland of Java, especially after the second half of the seventeenth century (Nagtegaal 1996:49-50).

At the end of the eighteenth century, when the VOC had already gained a much stronger foothold in Java, Boomgaard (1989:22) says that the structure of taxation in Mataram areas consisted of the following taxes: land taxes, poll taxes, business taxes, other regular and irregular taxes, business taxes, duties, tribute, and tax farms. Land tax was indisputably the most important and was levied on all types of arable lands and their produce: *sawah* (irrigated rice-fields); *tegalan* (dry rice-fields under regular cultivation) and *pegagan* (dry fields worked by shifting cultivation). Beside those primary fields, *pekarangan* (gardens surrounded house) and their produce were also taxed. The *pajeg* or *pajeg sikep* or *pajeg bumi*³ tax (from Javanese *ajeg* meaning 'fixed') from the *sawah* was often collected in kind: *padi*, unhusked rice, but in the *pasisir* areas it could also be paid in cash at different percentages of the yield, depending on the quality of the fields, and could range from one-third to one-half of the average yield. In some areas of the *mancanegara*, an additional tax was raised on *sawah* to recompense officials who had no *sawah bengkok* (salary fields). A lower rate of tax was collected on *tegalan* and *pegagan*, roughly one-tenth to one-third of the average harvest, while *pekarangan* taxes were collected in kind on such produce as coconuts, bamboo, and other crops. Beside land-based taxes, those who owned and slaughtered cattle also had to pay a cattle tax (*pembuntut*) (Boomgaards 1989: 23).

Among the sorts of poll taxes levied in the Mataram territory were *uwang cacah* or *grabag* and the *pacumpleng* tax. The first tax was introduced in the *pasisir* at the behest of the VOC and was a

3 In Priangan and other regions in West Java, this land tax was called *coekéh* or *coeké*. The only difference was that in Priangan the tax was levied on the actual produce from the land (Svensson 1992).

kind of recognition fee the Regents had to hand over on the basis of the number of *cacah* or unit of taxation in each Regency.⁴ Their subjects who were *sikep* (peasant cultivators) had to pay a *pacumpleng* or 'house tax' (from the Javanese *cumpleng*, 'an opening') in kind. In the *mancanagara* this was reckoned in bolts of cotton cloth or skeins of cotton yarn. In the *pasisir* area, it was the duty of the regents to coordinate this levy to meet the quota of yarn contingent for the VOC (Carey 2007: 57; Boomgaard 1989: 24).

The business taxes were designated as *pajeg pengautan* and included levies on various kinds of trades in commodities produced or services provided by brass-smith, carpenter, potter, smith, weaver, *dalang* (puppet-master), dancing-girl, dyer, goldsmith, mask-dancer, merchant, shipwright, and shopkeeper. In some places it was a flat tax paid by everybody, while in other regions were based either on the assessed wealth of or the level of production attained by taxpayers (Boomgaard 1989: 24). When handing these taxes over, the indigenous population was ordered to pay several other levies either in cash or in kind for certain purposes, particularly for religious festivals or festivities such as *slametan* or *sedekah* (religious feasts) or *Garebeg Mulud* (large annual festival held by the palace to celebrate the Prophet's birthday). Quite apart from these taxes, peasants in Mataram also had the following irregular corvée duties imposed on them: *kerigaji*, *taker tedhak*, *wang bekti*, *gugur gunung* and *pegawéyan*. The Dutch sources lump all these labour taxes later under one label: the *heerendiensten*. The *kerigaji* duty (literally means 'gathering for or attendance on the ruler', hence 'royal corvée') was performed at fairly regular intervals compared to more incidental other forms such as road maintenance, and could sometimes be converted into a cash payment fixed at one Spanish dollar per household in the *mancanagara*, but only half of that in the *nagaragung* (Carey and Hoadley 2000: 344–48).

⁴ The word *cacah* literally means a notch on a counting-rod (Nagtegaal 1996:48), but as a term of fiscal measurement it has different meanings. Boomgaard (1989: 207-13) goes as far as to say that the term covers three ideas; 1) a 'family' or 'household' consisting of 4-6 persons; 2) a unit of taxation; and 3) a term referring to a certain piece of arable land.

By the end of eighteenth century, taking a leaf out of the VOC book and availing itself of the services of Chinese businessmen, the sultanate of Mataram had begun to introduce the revenue farming system into its territory. Tollbars and market farms, for example, emerged as the two most important tax-farms in the core areas of Mataram, and the Yogyakarta sultanate received 40 per cent of its revenue from them in 1808 (Carey 1984: 19). Discussing the practice of tax farming in this area, Boomgaard has shown that, in collecting taxes from peasants, to a certain degree the local lower-ranking officers in village level, particularly *mantri desa* or *apanage* holders, set to work in a more or less similar way to that employed by the Chinese tax-farmers (Boomgaard 1989: 20).

After the Dutch systematically began stripping off large chunks of Mataram territory in the 1750s and eventually seized sovereignty over these regions, these tax arrangements were not only retained, they were intensified. In the twilight of the Company era, the Dutch had settled down to using the following methods to streamline revenue from Java: the tributary system levied on crops, labour service or *heerendiensten* in the agricultural sectors in the interior; taking over the tariff system and the brokering role of *syahbandar* in various main ports of Java, and finally auctioning tax farms on several economic activities. By opting to follow this path, the VOC could generate profit at a minimum of administrative or political cost (van Niel 2005; Kwee 2006).

At the turn of nineteenth century, the VOC was liquidated and all of its assets were nationalized. This upset, ushered in a long period of economic downturn, warfare and institutional and political breakdown for the Dutch in Java, which lingered on at least until 1830. Historians have called the period 'the years of uncertainty' (Furnivall 1944:80), referring to the series of regimes which tried to establish a 'modern' colonial state in Java. Blussé (2005: 3-4) has said that this early colonial state-formation process followed a sequence beginning with institutional breakdown, followed by reconstruction, habituation, and consolidation. In the economic sector, this recovery took the form of a process of economic repair, a reformulation of the fiscal system, the reorganization of the monetary system, the

reconstruction of the market and trade, and the restoration of the infrastructure. Emphasizing the reformulation of the fiscal system, Day (1900: 305) has chosen to designate the period ‘revolutionary’, referring to the reform policy implemented by Daendels and seized up with even more vigour by Raffles.

As he was working under financial constraints and in a wartime economy, Daendels’ brief term (1808–1811) was essentially *ad hoc* in nature. He won fame as one of the founders of the ‘modern’ colonial bureaucracy by his steps to transform the essentially feudal *priyayi* into colonial bureaucrats paid once a month.⁵ Hampered by financial straits, Daendels failed to make an impressive breakthrough in the fiscal and financial sectors. In essence, he continued the VOC fiscal policy, particularly that pertaining to the forced deliveries of products and labour services, the sale of land, revenue farming and monopolies. Coffee cultivation continued to supply the main product for the forced delivery, mostly from the highland areas of Batavia, the Priangan and Cirebon in West Java. Although less important than the coffee cultivation, peasants living in the fertile regions along the north coast of Java were required to deliver a certain proportion of their rice harvest, and to allocate part of their *sawah* and their labour for sugar cultivation (van Niel 2005: 196–97). Turning his attention to labour taxation, although he forbade the Javanese regents and private Europeans to use *corvée* labour, Daendels himself made extensive use of it for the infamous construction project of the great post-road, which claimed the lives of thousands of Javanese workers, the victims of poor working conditions, exhaustion, malnutrition and disease.⁶

5 In August 1808, for example, Daendels decided that the annual salary of the Resident of Pekalongan would be 12,000 silver *Rijksdaalders*. J.A. van der Chijs, *Nederlands-Indisch Plakaatboek*, Vol. 15, (1900: 88).

6 There have been a plenty studies about Daendels’ great post-road project, including van ‘t Veer (1986), van Aanroij (1995), Nas & Pratiwo (2002) and Toer (2005). The primary purpose of the project was to serve the military, but later economic advantage also loomed large. It was an enormous enterprise to build a road connecting *Anjer* (Banten) to *Panarukan*, the eastern edge of Java, covering thousands miles of difficult, mountainous terrain in the Priangan and the swamp-forest regions on the northeast coast of Central Java. Workers were supposed to be paid in rice, salt, and cash, but since

The sale of extensive lands to the Chinese was Daendels' solution to collecting revenue from the unexploited vast areas of land located in the eastern part of the *Oosthoek* (Eastern Salient) of Java, to which the Dutch had only limited direct access. Besuki and Panarukan were sold to the Chinese *Kapitan* of Surabaya, Major Han Chan Pit (Han Thian Piet, 1759-1827), each for an annual fee of Rds 10,000 and Rds. 40,000 (Rds, *Rijksdaalders* or Spanish dollars). Probolinggo was another area sold by Daendels to a Chinese merchant, in this case Han Kik Ko or Han Kik Long (1766-1813), the Major and the *Kapitan* of Pasuruan, both were brothers of Han Chan Pit. After negotiations, the land was valued at one million *Rijksdaalders* to be paid in twenty half-yearly payments of Rds. 50,000.⁷ On the basis of this sale, Daendels managed to issue paper money to the value of one million *Rijksdaalders* to generate more financial benefits.

This fiscal arrangement was ephemeral as the British took over Java in 1811. In his fiscal policy, Lieutenant-Governor General Thomas Stamford Raffles introduced a break with the introduction of a new land tax (*landrente*).⁸ This tax was intended to replace the feudal tax system of forced deliveries and contingents, and the sale of land. Bastin (1954: 36), states that the term land rent was used for the first time in a governmental report of April 1812 to translate the Javanese concept 'pajeg' (literally 'tax'). In its original sense, land rent was an amount of money or produce that have to be handed over to the government by a peasant in recompense for using and cultivating the land. However, the first official use of the term is found in the *Revenue Instruction* of February 1814, in which Raffles made clear that in its final version

local rulers constructed large sections of the road, they actually worked as corvée labour without any payment (Money 1861: 19).

- 7 Daendels (1841) Vol. 3, Bijlagen II (Finanti le Zaken), articles no. 7, 10, and 12. For deeper discussion about the Chinese estates in the *Oosthoek*, see Bastin (1954: 92-3); Salmon (1991), and Margana (2007: 210-38)
- 8 The juridical basis of the land rent was the claim that the colonial government was the successor to feudal sovereigns such as the sultans of Mataram. By extension, the government owned all the arable land in Java and all peasants were considered leasees of the land. For this, they were obliged to pay a certain amount of money equal to perhaps as much as one-quarter to a half of its yield, depending on the quality of the land (Bastin 1954: 146-62).

of the land rent would be based on the principle of individual landed property (Bastin 1954: 37).

By introducing this new land tax, Raffles was striving to achieve an economic system of free trade and free agrarian production, ultimately leading to a new social order composed of a class of independent cultivators, with fixed rights to the soil. In short, he was aiming to emancipate the peasants from the feudal grip of the *priyayi* elite. This was nothing less than a revolutionary idea, turning the Javanese social structure on its head. However, when push came to shove, Raffles found he could not implement his idea without resorting to the old structures of social control: if the land rent was to be collected, the local elites had to be involved. Furthermore, the government was hamstrung by its lack of accurate knowledge of land-tenure systems and indeed of the true amount of arable land. The requisite administrative support, especially a land registration or cadastral survey as the basis of tax assessment, was absent. The assessment of land rent was quite unreliable, as the government had no choice other than to rely on information supplied by Javanese officials who used different measurements from one region to another. This catalogue of difficulties obstructed Raffles' experiments during his brief governorship, although he did succeed in laying foundation for the further expansion of land tax in the following decades of Dutch rule in Java (Hugenholtz 1994: 148).

Raffles continued Daendels's policy of reforming the colonial bureaucracy, particularly undermining the feudal position of indigenous officers. The traditional power of the Javanese districts/regency chiefs (Regent or *bupati*) was reined in and they were expected to operate as intermediaries between the European civil service and the Javanese peasantry, but direct contact with village heads was expanded. Raffles also maintained the territorial framework of Java, which was divided into eighteen areas and assigned Residents as heads of administration with some degrees of military authority and an obligation to submit a regular report on the state of affairs in the area under their jurisdiction (Stapel 1940: 112; Sutherland 1979: 8). More importantly, Raffles appointed tax collectors to collect land rent (Bastin 1994: 7). After Dutch control of Java was restored in 1816,

although the land tax was maintained as one of important colonial taxes on Java, other taxes on the non-agricultural sector were collected through revenue farming. This method of taxation will be discussed in more detail in Chapters 3 and 4.

Landrent and The Cultivation System (1830-1870)

Coming to grips with maintaining the land rent system in Java, the Dutch colonial government reformulated the method used to assess it and introduced a land registration. The Commissioners-General (1816–1819), for example, proposed a modified version of land rent in Decree No.1 of 9 March 1818, followed by a revised version one year later in Decree 4 January 1819 No. 1. The latter version was maintained with only a few modifications until 1872 (Boomgaard 1989: 7). The Land Rent Ordinance of 1819 admitted that as yet there was no comprehensive knowledge of the nature and productivity of taxable land in Java. As a solution, the colonial government introduced an assessment method called the *admodiatie stelsel*, under which the assessment of land rent was subject to bargaining between the Dutch *controleurs* and village heads. Although this method was arbitrary in nature and could potentially end up with an unfair assessment, the colonial government preserved it until the end of nineteenth century. Day (1904: 206) believes that this method bred inefficiency and led to unjust land tax assessments. It was also objected that it was prone to corruption, which in the long run would drive Javanese peasants deeper into poverty and indebtedness to Chinese moneylenders, especially during the difficult time following harvest failure.

The colonial government did realize this potential danger and tried to solve it by launching a survey and compiling a classification of the arable fields throughout Java. The first survey was conducted in Kedu in 1819, followed by ones in Rembang and Cirebon, but the scheme failed to produce accurate data. Further attempts to reform land tax were reported but had to be suspended because of the outbreak of the Java War in 1825 (Hugenholtz 1986: 173). After order was restored in Java, the land rent was fully adapted to support the operation of

a new, more ambitious fiscal system: the *Cultuurstelsel* (Cultivation System), which was introduced in 1830. Many historians have argued that the Cultivation System was closely related to the levying of land rent. Reinsma, as cited by Van Niel, argued that ‘the land rent served as the lever for making use of an important part of the labour and land of the people’ (van Niel 1964: 358).

Scholars have tended to interpret the connection between land rent and the Cultivation System differently. Furnivall (1944: 33-35) and Clive Day (1904: 280-1) have viewed it as a sort of double taxation burdening the Javanese peasants, and underlining what in their eyes was the exploitative nature of the system. In their more recent studies, van Niel (1992) and Breman (2010) have criticized this interpretation as a kind of misunderstanding, although they agree that to a certain extent the two systems were abusive. Referring to their original concept, van Niel describes the connection between the two fiscal systems as follows: the Javanese peasants were required to cultivate one-fifth of the village land with a given cash crop, predominantly sugar and indigo, and had to deliver the harvest to the government. In return, the peasants received a certain amount of payment (*plantloon*) that should have been sufficient to pay the land rent of the land in the village, as this tax would have been assessed on the value of single crop. The assessed land rent, says van Niel, remained the measure against which export crops were to be delivered; if the harvest was valued at more than the land rent levy, the government would pay back the surplus in excess of the land rent; but conversely, if the harvest value was not sufficient to cover the land rent, the village was required to balance the shortage in cash or kind (van Niel 1992: 16-17). Hence, these two systems were related to each other, although in practice they operated very differently with large variations at either local or regional levels.

In essence, the Cultivation System was initially formulated in response to the failure of the experimental liberalization of the Javanese economy, particularly the attempts under Raffles and van der Cappellen, and the lack of success in solving the problem of the financial deficit caused largely by the excessive military expenditure

during the Java War 1825–1830. In 1830, the initiator of the system, Johannes van den Bosch was appointed Governor-General with the opportunity to put his plan into effect. The main purpose of the system was to expand the productive capacity of Java as an *wingewest* (area of gain) by reviving the old practice of forced deliveries (Fasseur 1992: 26). To ensure the smooth running of the system, village headmen, *lurah* or *bekel*, were put in charge of the day-to-day supervision and delivery of the harvest yield. The *priyayi* elite and Dutch civil servants were given a share of the profit and therefore had a vested interest in making the system really work. The role of Chinese (and then Dutch) businessmen was in the transporting and processing the produce. Finally, the export of Javanese produce to the Netherlands and the world market became the sole prerogative of the *Nederlandsche Handel-Maatschappij* (NHM), established by Willem I in 1824. A move which allowed the colonial state to take all profits without exception, which accrued from the Cultivation System (van Zanden & van Riel 2004: 116).

For the approximately four decades in which it operated, the System was a highly successful in larding the colonial and metropolis treasuries with massive financial contributions. The key to this success was located in the peculiar and unique arrangement of the System, which could easily be insinuated into the existing feudal structure of Javanese society.⁹ In the words of Blussé (1984: 84), ‘the system is a perfect example of how the Western capitalist mode of production was articulated to the domestic Javanese mode of production’. Statistical data show that in the first decade the System was in operation, the export of agricultural produce from Java rose significantly: sugar exports rose from less than 7,000 metric tons in 1830 to nearly 62,000

9 Van Zanden and Marks (2012: 32) argue that Javanese society in the nineteenth century was essentially an agrarian society, predominantly coloured by feudal practices. This can be seen in the following features: 1) the majority of the population worked in the agricultural sector or were peasants, therefore land was the most important capital good; 2) economic exchange was largely non-monetized; 3) the traditional state was centralized and the elite had a sovereign claim to land and labour allowing its member to extract surpluses from peasants through labour services and the tributary system; and 4) no formal, written contracts, so the contours of property rights were blurred.

in 1840; in the same period coffee exports also increased from 18,000 to 70,000 metric tons, and so did the export of indigo that rose roughly tenfold during the same period (*CEI* Vol. 1 1975: 35).

As a result, the net income or colonial surplus (*batig slot*) received by the Dutch government grew enormously. Van Zanden & van Riel (2004: 117) have recently presented a new calculation of the 'colonial surplus', taking the opportunity to express their criticism of the frequently cited official figures released by the Dutch government as somewhat underestimating the true value of the income it gained from the colony. These authors insist that the reason for this error is that the official figures of colonial surplus from the Cultivation System 'were not taking into account the hidden subsidies given to Dutch shipping, trade and industry, as well as numerous other expenditures charged to the colony'. These authors estimate the true value of *batig slot* is as follow:

Table 2.1. Estimates of the true value of the *Batig Slot* compared to official figures, 1831/40–1861/70 (in million guilders)

	1831/40	1841/50	1851/60	1861/70
1. Official figures of the Batig slot	79.9	133.2	238.7	250.5
2. Corrected Batig Slot I*	120.8	161.1	249.4	255.1
3. Corrected Batig Slot II**	150.6	215.6	289.4	276.7
4. As % of the Netherlands' GDP (annual average)	2.8	3.6	3.8	2.9
5. As % of tax income state	31.9	38.6	52.6	44.5

Note: *Batig Slot plus 'extralegal' expenditure

**Batig Slot plus hidden subsidies to NHM to shipping, insurance companies, and others

Source: van Zanden & van Riel (2004: 180, table 5.1).

The new estimates of van Zanden & van Riel show that the colonial surplus in the 1830s and 1850s was actually almost double that of the official figures, and in respective periods it annually contributed 2.8 to 3.8 per cent to the Dutch national GDP, in short more than

30 per cent of internal taxation, quite a substantial contribution (van Zanden & van Riel 2004: 181, 223). As a consequences of the reform in the system, including a reduction in the subsidies and monopoly licences, the difference between the two estimates increasingly shrank, nevertheless the colonial surplus still provided a significant contribution to the Dutch national income. From the 1860s, the colonial government gradually abolished the System and replaced it with a system in which private interests had a freer hand in the economy of the colony. The combination of political pressure from Liberals and Leftists, domestic outcries for reform since 1840s, and the growing power of private interests, particularly those involved in agricultural sector, have been summed up in the literature as major factors contributing to the abolition of the Cultivation System in 1870.¹⁰

The Cultivation System did indeed usher a period of financial surplus in the public finance of the Netherlands Indies. Throughout the whole colonial era, this was apparently the only period in which the fiscal balance of the colonial state in Java enjoyed a positive trend. As presented in Table 2.2, these times of surplus occurred in the period 1850s–1880s, but both before and after that period the colonial finance was in deficit, which reached a trough in the first two decades of twentieth century. Booth (1998) presents a slightly different calculation, noting that the surplus period commenced immediately after the introduction of the Cultivation System and lasted until the 1870s. She says that the biggest deficit occurred only in the 1930s when the colonial economy was hit heavily by the global economic crisis.

Leaving these differences aside, the financial surplus produced by the Cultivation System did unequivocally boost economic growth, a claim confirmed by the rapid increase in the GDP of Java during the 1830s. However, it was but short-lived and in the following decade economic growth in Java slowed down and GDP *per capita* actually fell by almost 10 per cent. Van Zanden and Marks (2012: 51) argue that the cause was a happenstance of complex factors, notably bad

10 For a detailed account of the operation and abolition process of the Cultivation System see Fasseur (1986, 1992), Elson (1984, 1994), and van Niel (1992).

harvests in 1845 and 1849/1850 and the stepping up of the drain on the colony. GDP growth in Java only picked up positively after the government withdrew its direct involvement in the economy, paving the way for private initiatives in 1870s. After this change, GDP in Java increased significantly from 0.9 per cent and 1.8 per cent annually in the periods 1840–1860 and 1860–1880 to 2.3 per cent and 3.7 per cent in the periods 1880–1900 and 1900–1913 (van Zanden and Marks 2012: 50).

Table 2.2. Fiscal balance of the Netherlands Indies, 1921-1940 (in million guilders)

Period	Revenue	Expenditure	Balance	Decade Average
1821-1830	241.3	254.8	-13.5	-1.3
1831-1840	361.7	395.3	-33.5	-3.3
1841-1850	545.1	588.0	-42.9	-4.3
1851-1860	989.3	802.1	186.9	18.7
1861-1870	1,161.8	725.6	436.2	43.6
1871-1880	1,392.1	802.1	589.7	58.9
1881-1890	1,375.0	1,218.2	156.8	15.7
1891-1900	1,354.7	1,405.4	-50.7	-5.1
1901-1910	1,734.9	1,777.1	-40.2	-4.0
1911-1920	3,831.6	4,618.2	-336.6	-33.6
1921-1930	7,708.0	7,735.1	-27.1	-2.7
1931-1940	6,071.8	6,147.9	-76.1	-7.6

Source: *Changing Economy in Indonesia* (CEI) Vol. 7 (1987: Table 2, 3, and 4).

After it had abolished the Cultivation System, the colonial government was forced to rely on the existing fiscal system and the other non-tax sources for its income, and under these circumstances land rent re-emerged as an important tax. As its significance dawned, efforts were made to improve the quality of land rent assessment, including the initiation of attempts to gather more reliable data about land registration and cadastral statistics. Several surveys covering various important areas in Java were conducted. In 1851, the colonial government under Governor-General Duymaer van Twist conducted

a pilot cadastral survey, in combination with a census, in one single Residency, Cirebon. This marked the beginning of what was known as the *Kadastraal-Statistieke Opnamen* (Cadastral-Statistical Surveys). The survey was first conducted in the rice-producing area of Indramayu, and completed in the rest of the Residency in 1858. It was continued in the Residency of Banyumas between 1858 and 1863. As these two surveys produced useful information, the government decided to extend the survey to the rest of Java. In 1879, all cadastral surveys were stopped after nine Residencies had been covered. The reasons given for the halt were high expenses, slow progress, insufficient personnel, imprecise measuring instruments, and that the data produced were unreliable (*CEI* Vol. 10, 1990: 31).

The halt did not end the difference of opinion between the Minister of the Colonies and the Governor-General about the assessment of land rent. The polemic continued unabated until the end of 1860s, and it led to two positions insuperably at odds about how the land rent should be levied: should it be continued as a harvest tax or be transformed into purely a land tax (Boomgaard 1990: 116-17). The administration of land rent did improve slightly when the new Land Rent Ordinance was issued in April 1872, officially effective a year later. The Ordinance was intended to supersede the 1819 provisional ordinance, and set new standards for the assessment of land rent. Its basic principle was that land rent should be levied on all the cultivated fields of the indigenous population. To make this feasible, the taxable fields were divided into certain classifications, which showed the average production of *padi* per *bau*¹¹ in the preceding three years. This classification and the tax assessment would be fixed for a period of five years and, in the case of harvest failure or other exceptional circumstances, a partial or entire tax exemption could be granted. Nevertheless, this new regulation failed; in fact its implementation never saw the light of day. The problems were still the same: detailed data on taxable land was not yet available, and there were just not

11 The term *bau* refers to a traditional land measurement. 1 *bau* is about 0.71 hectare.

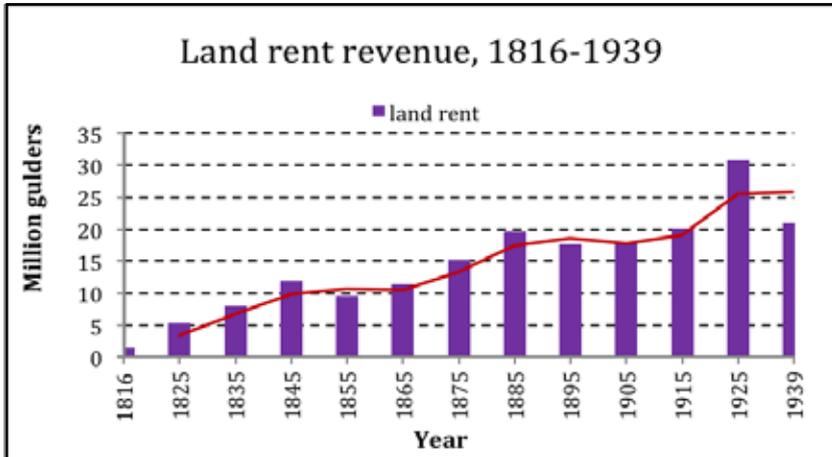
enough professional civil servants to ensure its proper implementation (Hugenholtz 1994: 162).

The problem of land rent (*landrentekwestie*) lingered on until the middle of the first decade of the twentieth century, when the colonial government finally managed to draft an ordinance, which was considered to offer the best solution to the problem. This ordinance was inspired by the way land rent was operated in Bali. Trials were held and it was developed in the Priangan Residency from 1897 until 1906. In January 1907, in the *Raad van Nederlandsch-Indië* the Minister of the Colonies, J. Th. Cremer, announced the passing of the 1907 Land Ordinance, bringing closure to the long, capricious history of the land rent in Java. The complete ordinance was published in the *Staatsblad van Nederlandsch-Indië* (hereafter SvNI) 1907, No. 277. It was not immediately implemented throughout Java but it had all the requisite preparatory work and it was gradually introduced district-by-district and Residency-by-Residency. Between 1897 and 1906, the ordinance was launched in forty-seven districts in the Priangan Regency, and its implementation was finally completed in 1920, when these new regulations were in operation in the more than 380 districts of Java and Madura (Hugenholtz 2008: 283, 299).

The 1907 Ordinance laid down that the land tax assessment should be based on the distinction between two categories of arable land: *sawah* (irrigated rice-fields) and dry fields (farmland, gardens, yards, fish ponds, and so on). In the first category, land rent was as harvest tax, whereas in the second category land rent was levied more or less as a land tax. The reason for the choice of this construction was that *sawah* could be exempted from tax in the event of crop failure or if fields were left fallow, whereas the tax on dry fields had to be paid every year no matter what the conditions. The land would be assessed as a lot, identified as having the same quality, while the tax was levied on an individual basis for each landholder. This assessment was to be fixed for ten years and could only be revised thereafter for another ten years. Specifying the tax rate paid by the landholder, the ordinance stipulated this would be at least 8 per cent and at the most 29 per cent of the

taxable yield of *sawah*, and at least 0.25 guilders and at the most 20 guilders per *bau* on dry fields (Hugenholtz 1994: 144).

Figure 2.1. Land rent revenue, 1816–1940



Source: Mellegers (2004), online database of the International Institute of Social History (IISG) in Amsterdam: www.iisg.nl/indonesianeconomy/, accessed 25 October 2010.¹²

The decision about which exact percentage would be applied to the *sawah* was settled by village and was subject to its ‘economic situation’. On the basis of their economic situation, villages were classified into one of three groups of ‘tax circle’ (*belastingkringen*): weak (corresponding to the *sawah* percentage of 8–11%), average (12–16%), and strong (17–20%). In the case of dry fields, the assessment was derived from the assessment on *sawah*, as the dry fields were compared with the *sawah* and the tax assessment was applied to two areas of comparable quality (Hugenholtz 2008: 285). The upshot was that the land rent was levied on an expanding area of agricultural production, and increasing revenue rolled in year after year. In 1930, the annual

12 Mellegers (2004) explains that the data set is assembled from various statistical sources, such as *Koloniaal Verslag, Jaarverslag*, etc. and also from printed materials, particularly the series of *Changing Economy in Indonesia*.

revenue from land tax reached its highest level at about 30 million guilders, before dropping back to level 20 million guilders in 1940.

The Colonial Tax Structure After 1870

The abolition of the Cultivation System in 1870 had a profound impact on state finances specifically and on Javanese society in general. Booth (1998: 99) argues that the policy exacerbated the financial predicament, which had been facing the colonial government since the 1860s, of the outcome of administrative inefficiency, corruption and lavish expenditure. Colonial officials in the regions were not spared its depredations, as they had to take a cut in salary because of the poor financial condition of the state. For *bupati* and other members of indigenous administrative elite, the reform came as a major blow, because they lost privileged rights to controlling land and services, and the newly introduced incentive system, which was often said to be inadequate, was a poor substitute. In relative terms, this reform considerably reduced the opportunities for indigenous officials to perpetrate abuse, even though it might not have meant much of an improvement in the living conditions of peasants in rural areas. They might no longer have been required to spend their time on performing labour services, but they were now obliged to pay a poll tax in cash plus other kinds of new taxes introduced by the colonial government. All of this might have placed an even greater burden on their shoulders (Ricklefs 2001: 166).

Having to cast around to compensate for the loss of its long-term revenue source and the nagging problem of how to overcome the financial deficit, the colonial government formulated new fiscal sources. Besides maximizing revenue from the old tax systems, revenue farming and land rent as just said above, it introduced new taxes, including poll tax (*hoofdgeld*), personal tax (*personeele belasting*), and income tax (*inkomstenbelasting*). This fiscal policy possibly have had a certain connection with the introduction of the new Agricultural Law of 1870, often said to have been one of the most vital incentives for economic development in Java. With the passing of this new law,

the government ended its interventionist policies, and opened up space for private initiatives in the agricultural and other new sectors. Under this law, a more liberal capitalist mode of economy was given a free hand in Java and a free labour system evolved, which gave the populace the opportunity to earn a more regular, cash-based income. These developments seemed like a justification to introduce new taxes to the colonial government.

The reason the head tax or poll tax (*hoofdtax*) is mentioned first is some links it had to the reform of *heerendiensten*, the deep-rooted traditional labour taxation in Java. Previously, this kind of tax had been levied only on Chinese and Foreign Orientals, but in 1882 it was extended to Javanese as a substitute for the *pancendienst* or corvée labour. Instead of compulsory work service for the *bupati* under the traditional *pancen* scheme, peasants could now pay a certain amount of money, one guilder per household in most cases, to the government for an exemption from this duty. As briefly mentioned earlier, this labour tax was one of the privileges attached to the office of *bupati* and other higher-ranking members of the administrative elite. Later it was thought to be a source of abuse, especially during the Cultivation System period. As the colonial government paid more attention to the negative impacts of the abuse of *heerendiensten* on peasant life, it was deemed necessary to abolish this traditional system (*Encyclopaedie van Nederlandsch-Indië*, hereafter *ENI*, Vol. 1, 1917: 232).

The abolition of *heerendiensten* and their conversion into a real tax was a gradual, quite slow process. The first successful effort to modify the labour tax was achieved in 1882 when the colonial government succeeded in establishing the maximum rate of service duty at forty-two instead of fifty-two days in a year (SvNI 1882 No. 137). In 1886, a commission presided over by F. Fokkens was appointed to investigate how much of a burden the *heerendiensten* were in Java and Madura, with the exception of the Principalities (*Vorstenlanden*). The first empirical findings were published in 1890, revealing the fact that a higher rate of head tax was needed to accumulate an adequate amount of money to compensate the abolition of a wide range of *heerendiensten*, which were the privilege of indigenous officials. The insurmountable

problem was that its instigation was simply impossible, the economic condition of the indigenous population precluded the government from raising the rate of the head tax. As solution, in the annual budget for 1902 the government allocated 600,000 guilders to compensate for the abolition of *heerendiensten* from such projects as constructing and improving roads and water-works, two of the most arduous forms of corvée for peasants. In 1905 another solution was introduced, namely what was known as voluntary redemption (*vrijwilige afkoop*). It was a method of tax assessment under which the population willingly shared their corvée burden to be performed during one fiscal year among all the members of a *desa* (Fokkens 1914; Visser 1924: 29).

After several revisions, a definitive regulation governing the implementation of the head tax was formulated in 1914, published in the *Staatsblad* 1914 No. 313. Article 1 of the ordinance stipulates that head tax was to be levied on all indigenous people eligible for *heerendiensten* who were living in the Dutch government areas in Java and Madura. Those living on private land or on a special piece classified as *vrijmans* or *mardijka-landjes*¹³ located inside the borders of Batavia, Meester Cornelis, and Tangerang were excluded. Stipulating the rate of head tax, Articles 2 and 5 elucidate that assessment of the tax would be calculated annually for one full fiscal year by the head of local administration. There were two ways in which this could be done: 1) every village would be assessed separately but uniformly; the local administrator would determine the tax rate by multiplying the amount of head tax per person by the number of people obliged to carry out *heerendienst* per 1 January; 2) the tax was calculated according to a regional assessment. The Resident was vested with the authority to determine a new tax rate if it was thought unjustifiable to carry out a uniform assessment in his area, either because of the disparate levels of welfare of the tax-payers or the varying degrees of the *heerendiensten* burden. As a result, the rate of head tax varied from one region to another, ranging between 1.20 to 3.30 guilders per head. Between

13 Private merchants, the majority Dutch, who were granted permission by the authorities in Batavia to rent or buy a piece of land for cultivation of certain cash crops, such as sugar cane.

1912 and 1914, the colonial government raised total revenue of 12.3 million guilders from this tax (Visser 1924: 66-7).

Personal tax (*personeel belasting*) was another new tax introduced by the colonial government in the 1870s. Unlike the poll tax, personal tax was levied on Europeans and other groups enjoying an equal position (such as the Japanese) and Foreign Orientals (*Vreemde Oosterlingen*: Chinese, Arabs and Indians). Its administration had been in preparation since 1874, but it was only officially promulgated five years later on 1 January 1879, published as Government Ordinance of 30 December (SvNI 1878 No. 349). This tax allowed revenue to be collected directly on the basis of private property, personal consumption or life-style. It was assessed on such articles as furniture (*meubilair*), carriage (*rijtuigen*), horses, and houses, taking into account the embedded economic value (including rent price) (de Koning 1900: 5-10). The head of a family/household or a house tenant, who was registered as the principal taxpayer, paid the tax on annual basis. Payment could also be made in five instalments. The amount was recalculated annually and announced on every 1 January. The head of the local administration (Resident) was responsible for ensuring the registration of taxpayers, the tax assessment and the annual rate, adjusted according to regional standard value issued by Batavia.¹⁴

In 1908, the government issued a new ordinance in which the old arrangement for personal tax assessment was revised and adjusted to cover new economic developments and the appearance on the scene some newly taxable items, such as bicycles, motorcycles and motorcars. Government facilities and property were exempt from the tax. A one-person bicycle was levied at 3 guilders per year, while a bicycle for two or more persons was taxed 6 guilders per year. As new luxury taxable objects, motorcycles and motorcars were taxed at a high rate amounting to 18 and 48 guilders per year. Under this new system, the

14 Because of the differences in the regional economic development, the government found it necessary to establish a standardized regional rent price for the purpose of personal tax assessment. In *Staatsblad* 1897 no. 160, the price also differed for European and Foreign Orientals. In Batavia the ratio was 240 : 60 guilders, in Semarang 240 : 120 guilders, in Surabaya 240 : 90 guilders, in Yogyakarta 180 : 70 guilders, in Malang 120 : 36 guilders, in Bandung 150 : 48 guilders.

personal tax contributed total revenue of 1.4 million guilders in 1912, 1.57 million in 1913, and 1.7 million to the government treasury in 1914 (*Handleiding* No. 47/E, 1922; *ENI* Vol. 1 1917: 231).

Income tax (*inkomstenbelasting*), the final example of a new tax, was officially introduced in 1908 to replace what was known as the patent right tax (*patentrecht belasting*) levied since 1879, plus two temporary taxes levied in 1906, namely the sugar tax (*suikerbelasting*) and the tobacco export right in the region of Sumatra's East Coast. The *patentrecht* tax covered levies to Europeans who generated income from various kinds of economic activities in the territory of the Netherlands Indies ranging from agriculture, factories, workshops and trade, to the arts or sciences. It could be levied on profit from any single economic undertaking; or on profit gained from the performance of a certain task, service or position by Europeans and those equated with them. The tax amounted to 2 per cent of the total income and was paid by those already registered by the government. The tax still excluded those whose income was derived from a salary (*bezoldigingen*), those on benefit payment (*wachtgeld*), pensions or other income generated from the national budget (civil servants and their like), or those working in a branch firm of any Dutch trading enterprises that were subject to income tax in the Netherlands. *Staatsblad* 1906 No. 59 states that the tax rate was one guilder for those with an income below 900 guilders per year, 4.5 guilders for people with income below 1,800 guilders per year, and 100 guilders for people with income above 12,000 guilders per year. Under this system, *patentrecht* tax produced 1.15 million gulden in 1903, 1.12 million in 1904, 1.25 million in 1905, 2.8 million in 1906, and 3.8 million in 1907 (*ENI*, Vol.1, 1917: 226).

When it was converted to income tax, the tax rate was restructured to adjust it to new economic developments and average living conditions and the wealth of the Europeans, particularly the Dutch in the colony (Hulshoff 1913: 13). In 1912, the colonial government decided that income gained from property and other immovable assets would be incorporated into this levy. The *Koloniaal Verslag* 1914 reports that income tax had contributed a total 30.4 million guilders in the period 1912–1914. A separate system of income

tax, namely *bedrijfs en andere inkomstenbelasting* (business and other income tax), was introduced for Foreign Orientals and Indigenous people in 1907. This tax had actually been levied since Raffles' time as a complement to the land rent under the name of tenement tax: a small rent for the ground on which their houses stood. Under the Dutch colonial government, the tax was retained as part of a business tax (*bedrijfsbelasting*). In 1885, the government increased the tax rate for Foreign Orientals from 2 to 4 per cent, while indigenous people who had an income of less than 25 guilders per year were still exempt. The tax was abolished on 1 January 1920, when a unified income tax system to be implemented all over the Archipelago was introduced (Moresco 1923: 514).

The introduction of a unified income tax is regarded as the final stage of the series of tax reforms in Java, and marked the final structure of colonial taxation in the Netherlands Indies.¹⁵ After 1920, the tax structure in Java and Madura consisted of the following taxes:¹⁶

Personal taxes (<i>persoonlijke belastingen</i>)	Business taxes (<i>zakelijk belastingen</i>)	
	Levied based on assessment list (<i>volgens kohieren</i>)	Levied not based on assessment list (<i>zonder kohieren</i>)
1. Income tax (levied on all population)	4. Property tax (levied on Europeans and Foreign Orientals)	7. Export/import tax
2. Personal tax (levied on all population)	5. Landrent (levied on indigenous people)	8. Excise/duty
3. Poll tax (levied on indigenous people previously subject to <i>heerendiensten</i>)	6. Tax on indigenous property right	9. Slaughter tax
		10. Stamp duty
		11. Lottery tax
		12. Tax on licence for Chinese gambling
		13. Tax on dogs

Source: *ENI* (1917: 224); Moresco et al. (1923: 514, 519); Visser (1924: 43-44)

15 This certainly does not mean that there were no more fiscal adjustments in the colony. In fact, Batavia continued to make fiscal revisions at regional and local levels, for example in the 1920s in the wake of the decentralization policy. But, in general the structure of colonial taxation relatively unchanged until the end of colonial period.

16 In addition, the colonial government also introduced a special tax on the war profiteering (*de oorlogs winstbelasting*) for a short period after World War I, between 1918 and 1923. This was meant to collect taxes from businessmen who had profited from the fluctuating prices on the world market, particularly sugar.

After the success of the last pacification campaign in Aceh, in the early years of twentieth century the colonial government extended the introduction of these taxes in Sumatra, Kalimantan and other parts of the Outer Islands. Income tax, for example, was introduced in the West and East Coasts of Sumatra in 1908 and 1910. Besides this, several additional taxes were already being levied locally in the Outer Islands. The local colonial authorities imposed these taxes to collect revenue from the local population and economic activities (*ENI* 1917: 244).

Some Estimates of Colonial Tax Revenue and Expenditure

Several scholarly efforts which offer comprehensive accounts with statistics of the performance of public finances in the Netherlands Indies throughout the colonial period have been published (*CEI* Vol. 2 1976; Berg 1895; Booth 1990, Mellegers 2004). It should be emphasized, however, that as far as the nineteenth century is concerned, these data sets refer principally to Java and are scant of any data on a 'national level', the inference being that public finances in the Netherlands Indies in that period were largely concentrated in Java.

On the revenue side, under the Cultivation System the colonial government was heavily dependent on sales on international commodity markets, sugar in particular, because this is the period in which the colonial state was directly engaged in the production and export of Javanese cash crops. Booth has calculated that throughout the period of the Cultivation System (1830–1870), around 50 to 60 per cent of total revenue came from the sale of international market commodities, while the rest accrued from the monopolies sector (salt and opium), and taxes. Gross revenue from taxes during this period accounted for 16 to 20 per cent of total revenue, with land tax (*landrente*) unquestionably the most important single tax, accounting on average for around 10 per cent of total revenues throughout the period (Booth 1990: 214).

Table 2.3. Government revenue, 1817-1939 (yearly averages in million guilders)

Period	Taxes, levies	Utilities*	Total
1817-1829	17	-	-
1830-1849	23	34	57
1850-1859	26	67	93
1860-1869	31	87	118
1870-1879	33	101	140
1880-1889	44	85	136
1890-1899	50	73	131
1900-1909	63	91	161
1910-1919	111	173	309
1920-1929	326	299	714
1930-1939	262	124	445

Note: * Products, monopolies and profit making industries

Source: *CEI* Vol 2 (1976: 24), table L.

Table 2.3 shows that the actual amount of tax revenue during the Cultivation System was growing slowly by about 30 million guilders per decade. After it was abolished, the slow increase in tax revenue continued until the last decade of the nineteenth century, partly because taxation reform was still taking shape and it was some time before newly introduced taxes operated efficiently and generated revenue. An impressive rise in tax revenue occurred only after the first decade of twentieth century when it jumped to a level of more than one hundred million guilders. It reached its peak at 326 million guilders in the 1920s before the 1930s crisis dragged it back to the level of 262 million guilders. Presumably, this increase was partly attributable to the successful tax reform policy and the growing capacity of the government fiscal administration, which had been in operation since the early years of twentieth century, to carry out work efficiently.

Until the end of nineteenth century, Berg estimates that the proportion of land rent to the total tax revenue had been continuing to increase. From a total of 24.6 per cent of the tax contribution in 1871, the share of land rent was 13.9 per cent, and in 1895 its share

had risen to 16.3 per cent out of the total 42.2 per cent of tax revenue in that year. In the category monopolies, opium was still the most profitable, dominating the contribution of the share of monopolies to the total of tax revenue (Berg 1895, App. C).

Table. 2.4. Per centage breakdown of tax revenues, 1912/16 and 1936/40

Taxes	1912/16	1936/40
Import Duties	25.2	17.9
Export Taxes		11.6
Excises	11.1	21.9
Income Tax	21.8	
Personal	n.a.	18.9
Corporate	n.a.	11.7
Verponding*	3.0	1.7
Stamp Duties	3.5	2.7
Slaughter Taxes	2.4	1.5
Landrente**	20.4	7.7
Capitation Taxes	5.9	-
Personal Taxes	1.6	1.3
Other	5.1	3.1
Total	100.0	100.0

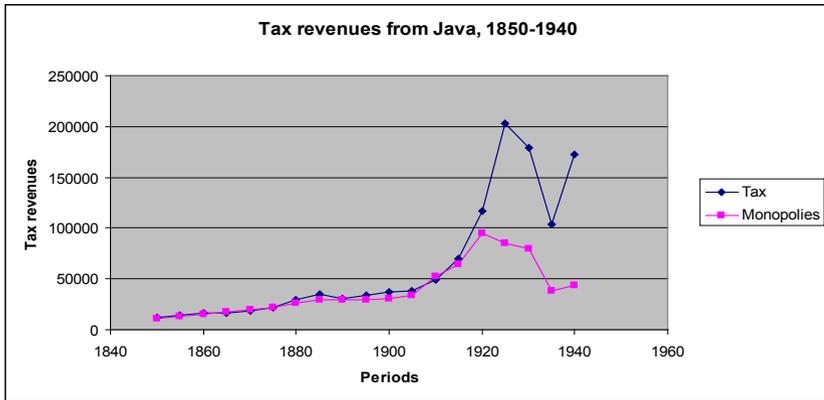
Note: *Urban property tax

** Rural land tax

Sources: Booth (1990: 223).

The composition of tax revenue changed considerably in the last decade of the colonial period, particularly that of the land tax, whose share dropped quite drastically from 20.4 per cent in 1912/1916 to 7.7 per cent of total tax revenue in 1936/1940 (see Table 2.4). Booth (1990: 224) argues that the changing composition of tax revenue had presumably been affected by the macroeconomic conditions in the colony: the relative importance of non-agricultural products as tax objects increased, and the declining welfare of peasants in rural areas during inter-war period decreased the land rent revenue.

Figure 2.2. Tax revenues from Java, 1850-1940 (in thousand guilders)



Source: Mellegers (2004)

Although the quantitative account of tax at national level and its proportion to the total government revenue has already been discussed, the question of the amount of tax revenue from Java is still unanswered. In this section Mellegers' data set (2004) will be used to answer the question. This set provides a clear-cut separation between tax revenues from Java and those from the Outer Islands. The results are presented in Figure 2.2, which shows how tax revenues from Java contributed an increasingly substantial amount of revenue to the state exchequer, rising from 22.1 million guilders in 1875 to 36.7 million guilders in 1900. The most impressive increase in the tax revenue is visible in the last three decades of the colonial period. Whereas the tax revenue in 1910 was about 50 million guilders, by 1920 it had jumped fourfold to 202.5 million guilders, only to decrease during the Depression years to 103.8 million guilders in 1935.¹⁷ Substantial evidence which shows that Java contributed the largest share to national tax revenue throughout the colonial period.

¹⁷ The increase in tax revenue from Java also includes the increase in tax *per capita* incidence in this island, from about 1.3 guilders in 1900 to 5.8 guilders in 1920, when the population of Java in respective years was 28.7 million and 34.9 million (*CEI* Vol. 11, 1991, table 5, 6).

After this description of the revenue side of the colonial finance, the time has come to examine the expenditure side in order to produce a rounded picture of colonial finances. Some studies have shown that the colonial government was the main spender, incurring a negative fiscal balance in the colonial finances from 1881 (Booth 1998: 137-41). In the last three decades of the nineteenth century, Berg (1895, App. D) estimated that government expenditure rose considerably from 88.5 million guilders in 1871 to 113.5 million guilders in 1895; while other source claims it rose from 85.6 million guilders in 1871 to 114.1 million guilders in 1895 (*CEI*, Vol 2, 1976: 56-58, Table 3).

Table 2.5 explicitly shows that during the nineteenth century colonial state expenditure tended to be concentrated on building administrative capacity and tighthening political control. Certainly the budget allocation for the economic and infrastructure sector increased, but investment in the development of human capital was still a minor priority. The irrefutable evidence for this is that the percentage of expenditure under category Interior and War Department accounted for more than half of the total expenditure. The Aceh war fought sporadically between 1873 and about 1904 was the largest item of expenditure, although the budget for maintaining the Navy in the same years was not negligible. Interestingly, the share of public works also began to increase significantly in the 1890s, implies the colonial government was paying growing attention to building infrastructure in the colony. However, investment in human capital in this period was still very low, painfully revealed by the budget allocation for education that accounted for no more than 5 per cent. This reflected that, until the end of nineteenth century, the colonial state in Java still retained some characteristics of the classic night-watchman state (Booth 2007, Frankema 2010).¹⁸

18 Morris (1963) introduces this state typology for the first time when he examines the role of government in nineteenth-century India. Some of the characteristics of the night watchman state identical to the case in Java, are: the government was authoritarian, more concerned with providing security and rational administration, subordinated economic importance, and attached little priority to human capital investment (Booth 2007: 87; Frankema 2010: 4).

Table 2.5. The structure of the expenditure of the colonial state, 1850s-1930s

Sectors	1850s	1860s	1870s	1880s	1890s	1900s	1910s	1920s	1930s
Justice	3	4	4	6	5	4	4	3	3
Finance	20	10	6	12	13	17	16	23	32
Defence	25	29	30	27	29	27	20	18	18
Civil Service	8	9	9	14	14	13	10	10	14
Education	1	2	2	5	5	6	8	9	10
Economic Affairs*	35	34	31	20	7	4	5	4	3
Public Works	4	7	10	11	20	19	26	23	14
Government Factories	5	6	8	7	7	10	11	8	6
Total	100								

Source: van Zanden and Marks (2012: 77)

*Includes expenditure on the Cultivation System (production of coffee and sugar)

As it entered the twentieth century, the composition of the government expenditures began to show many substantial changes. Primarily, this was the consequence of the introduction of the Ethical Policy in 1901. Under its terms, the colonial government gave priority to welfare programmes to raise the Indigenous standard of living and this acted to push up the growth of real public expenditure in general. Prior to the recession years of 1930s, the total real public expenditure showed a remarkable increase from 130.7 million guilders in 1905 to 783.5 million guilders in 1921, but then decreased slightly to 618.8 million guilders in 1930 and 394.2 million guilders in 1939 (*CEI*, Vol. 2, 1976: 64-67, Table 4). Under the new colonial policy, colonial government expenditure shifted towards public investment, particularly on infrastructure and education. The public works sector was the largest recipient in the 1910s and 1920s, but although education sector received an increasing budget allocation until the 1930s its percentage was still less than 10 per cent, far below other sectors. Another important shift in public expenditure was the declining budget spent on defence. With the end of military campaigns

in Aceh, Bali and Lombok, the lavish expenditure in military sector drew to a close.

The growth in real public expenditure in the first two decades of the twentieth century was supported, indeed made possible, by the improvement in the macroeconomic performance in the colony. Booth (1990: 226-39) argues that this was a 'period of substantial growth in the economy', when public income and *per capita* income increased rapidly. Citing Zimmerman's estimate (1962), Booth argues that while population growth was about 1.5 per cent per year, *per capita* income rose at over 2 per cent per year during this period, when the real national income was rising at about 3.5 per cent per year. However, this income growth did not provide government finances with any surplus, because total expenditure grew even more rapidly than income. In fact, under the Ethical Policy government expenditure shifted substantially towards more 'developmental projects', designed to raise the standard of Indigenous welfare in particular and assist economic development in general. This change in the composition of public expenditure, particularly up to 1920, reflected the alteration in the nature of the colonial state in Indonesia from one characterized as a 'nightwachtman state', to a 'benign state' or even a 'developmental state'. These are typologies of a (colonial) state in which public revenue was primarily used to finance welfare, supporting human capital and economic development (Frankema 2010: 4). However, in the Netherlands Indies, the only exception that detracts from it being developmental is that the government allocation for the education sector was much lower than for other sectors, and this trend suddenly halted by the financial crisis in 1930s.

Conclusion

After tracing the evolution of the tax and fiscal system in Java throughout the colonial period, three major points have unequivocally emerged. *First*, the colonial tax system, one element in the colonial state administration in Java, was basically a mixture of some old indigenous taxes and ones newly introduced by the colonial state. The basic

foundations of this colonial tax system were constructed in the early period of colonial state formation from 1800–1830. In this period, the newly installed government still partly held on to Company efforts to incorporate indigenous taxes and other local tax practices into colonial taxes. Land rent, tax farming and the Cultivation System are example of such processes. In pursuit of its goals, the colonial government did make efforts to create a more rational assessment and an efficient administrative system, especially during the second and third decades of the nineteenth century. These experiments resulted in a positive impact on tax revenue, although the yield was still far from enough to save colonial finances from a huge deficit, largely because of the drain of the Java War. To deal with this situation colonial officials introduced a new fiscal approach, later known as the Cultivation System. Based on traditional *corvée* labour and shored up by the local social structure, the system was an instant success in extracting revenue from this ‘*wingewest*’, shadowing the revenue from previously important taxes, such as land rent and tax farming.

Second, the 1870s was a crucial period in the colonial fiscal history of Java. The Cultivation System was finally abolished after being the spearhead of the colonial fiscal system for more than four decades, and colonial fiscal policy shifted its fulcrum back to taxes, which now became the major source of revenue to compensate for the loss of the Cultivation System. To attain its purpose, the colonial government maximized the operation of some old taxes (land rent, revenue farming), but also introduced new taxes such as poll tax, personal tax, and income tax. Nevertheless, forced to respond to the changing political situation in the mother country, the colonial government was again pushed to improve its fiscal policies to achieve higher levels of efficiency, administrative accountability and living conditions for the tax-paying Indigenous people. At the end of nineteenth century, for example, the colonial government introduced other fiscal reforms to abolish revenue farming and introduce a unified tax system.

Third, statistically the relative importance of tax in total government revenue increased substantially from the 1870s. The improvement in the efficiency and capacity of the colonial bureaucracy taken in

conjunction with the increasing number of tax-paying population is among the plausible explanations of the increase in tax revenues. From 1870 until 1930, changes in the composition of tax revenue were introduced; the contribution of land rent and head tax gradually diminished, while that of excise and income tax rose. Significant change was also visible on the expenditure side. In the last three decades of the nineteenth century, public expenditure was still largely directed to the military and administrative sectors as the state was immersed in its primary ambitions of strengthening control and creating social order. Consequently, investment in the economic sector and public goods was far less impressive. In the twentieth century, under the constraints imposed by the Ethical Policy, government expenditure until 1920 at least, shifted to give priority to popular welfare-related sectors such as public works, economic infrastructure, education and health. Although the actual budget for the last two sectors was still far from adequate, this expenditure shift in the direction of 'developmental projects' indicated that the late colonial state in Java could no longer be classified as a predatory or night watchman state.

— CHAPTER 3 —

REVENUE FARMING AND THE EVOLUTION OF THE COLONIAL TAX SYSTEM, 1816-1890S

The brief overview and subsequent discussion in the preceding chapter have revealed that revenue farming or the *pachtstelsel* was one of the oldest methods of surplus extraction ever been practiced in Java. It had been initiated under the indigenous rulers and later adopted and extended by the VOC. The importance of the system grew after the colonial state of Netherlands Indies institutionalized it as part of its expanding tax system in the nineteenth century, even though the Dutch in the Netherlands had abolished this kind of taxation system at the outset of the nineteenth century (Brugmans 1976: 8). It was retained in the colony for the reason it offered a solution to two very immediate problems: the shortage of human resource and the limits to the capacity of the administration to collect taxes. To utilize it most effectively, the colonial government continuously modified the regulation of revenue farming to adjust it to changing local circumstances and the socio-economic development in the colony.

The series of Annual Colonial Reports (*Koloniale Verslagen*) classified revenue farming into two groups: the opium farm (*opiumpacht*) and the small tax farm (*kleine verpachte middelen*). The

first group consisted of one single major tax farm: the tax on the sale of opium; for most of the time the second group included about sixteen types of tax farms. Each of these tax farms operated separately and was subject different regulations. Some of them were introduced only locally. Therefore, revenue farming could not be said to have been an integrated system that worked coherently throughout the whole Archipelago. All these tax farms were coordinated by the *Directeur der Middelen en Domein* (Director of Resources and Estates) until 1860 and after that by the *Directeur van Financiën* (Director of Finance) until their abolition at the end of nineteenth century. The dominant position of Chinese businessmen as tax farmers was one of the other most important features that characterized the whole operation of those tax farms throughout the colonial period.

This chapter reviews some general patterns in the administration of revenue farming and the way it continued to operate in the context of modernization process of the colonial administration in Java. The main question addressed is why and in what way did the colonial government deploy revenue farming as part of the colonial fiscal system for such a long period? Considering the indispensable role of the Chinese in the operation of revenue farming, the search for answer must begin with a review of the Chinese position in the administration of revenue farming in Java.

The Chinese and The Administration of Revenue Farming

Throughout the entire nineteenth century, Chinese businessmen dominated the operation of revenue farming, fostering as yet another economic activity pursued by this community after trade (Rush 1991). Until the end of its operation in the 1890s, a growing number of Chinese engaged in all circles of revenue farming. In 1870, it was reported that out of about 174,547 of the total Chinese population in Java and Madura, there were 3,574 Chinese working as tax farmers or farm employees. By 1890, when the total number of Chinese population reached 243,213, the number of tax farmers increased to 4,886. It was reported that in that year, tax farming as category

of occupation employed 6 per cent of Chinese males over the age of sixteen. In the Outer Islands, another 1,990 Chinese were recorded as tax farmers out of a total of nearly 7,000 Chinese involved as tax collectors in all the areas under the Dutch colonial administration. Diehl notes that at the end of 1890 the number of Chinese *pachters* had exceeded the total number of the 6,087 Dutch civil servants in the colony, of whom 4,612 were posted in Java and Madura and 1,475 in the Outer Islands (Diehl 1993: 201).

With their financial acumen combined with their unique socio-political position as a *comprador* group in the colony, the Chinese businessmen bid successfully for almost all the licences of tax farms at the auctions at which they were put up for sale. The dualistic character of the colonial administration made it possible for the Chinese to maintain their dominant position in the operation of revenue farming. The administration of revenue farming was basically compatible with the principle of indirect rule espoused by the colonial state administration. The colonial government was able to make use of the existing organizations of Chinese officials and the Chinese Council (*Kong Koan*) to back up the operation of revenue farming, although neither directly or formally. This ethnic-based administration was just another part of the system of indirect rule of the colonial state that originated in the VOC period and existed until the end of the colonial period. It provided a mechanism through which the colonial government could delegate its authority to govern their fellow-countrymen to these community leaders. The majority of these community leaders were chosen on the basis of their socio-economic status; almost without exception they were among the most prominent and wealthiest members of their community. To mark the position they held, these Chinese (also Arab) officers were granted honorary military titles and ranks, such as *luitenant* (lieutenant), *kapitein* (captain), and *majoor* (major), but without the concomitant military authority. They worked under the supervision of the Department of Internal Affairs with the support of *wijkmeesters* or district heads (Fasseur 1994: 31-56; Lohanda 1996: 25).

In the big cities like Batavia, Semarang and Surabaya these Chinese officers worked together under the auspices of one semi-autonomous institution called the *Kong Koan* or Chinese Council.¹ In this institution, the Chinese officers supervised and coordinated social and religious matters within their own community including education, demographic registration (births, death, and marriages, and so on), cemeteries and temple management, and they also organized tax collection (Hoetink 1917; Blussé & Chen Menghong 2003: 1-2). The number of Chinese officers varied greatly from one region to another depending on the number of Chinese population and the size of Chinese district to be governed. In 1880, for example, the Chinese officers in Batavia consisted of one *majoer* and *major titulair* (honorary or ex major), four *kapiteins* and three *kapiteins-titulair*, and six *luitenants* and ten *luitenants-titulair*. Semarang that same year had one Chinese titular major, three Chinese captains and two Chinese titular captains, and six lieutenants, while Surabaya had one Chinese major, one Chinese captain and three titular captain, and six Chinese lieutenants (*Regeerings-Almanak* 1880: 185-229). In the course of time, the position of Chinese officers became hereditary, as one officer tended to transfer the office to his son or a relative from the same family. Their principal motivation was that the holding of this position would raise socio-economic status and political prestige of their family (Lohanda 2002: 248).

The Dutch colonial government officially institutionalized the Chinese officers and Chinese Council in 1828, when it passed a bill transforming these institutions into the *Chineesche Bestuur* (Chinese administrators) under the auspices of *het Bestuur voor Vreemde Oosterlingen* (Administration of Foreign Orientals) in which they were united with the Arab and Indian officers (Blussé 1998: 12). Under

1 The Kong Koan was established only in cities with a large Chinese population, where there more than three Chinese officers employed as members of local *Chineesche Bestuur* and the local Chinese community had managed to acquire extensive private estates to cover the costs of the social needs of their community, such as cemeteries, hospitals, orphanages, and the like. In Java, the institution was founded in Jakarta, Semarang and Surabaya, while in the Outer Islands it was found in Medan and Makassar (Buiskool 2002; Sutherland 1999).

this scheme, the colonial government preserved the right to a certain degree of intervention in the work of *Kong Koan*, being especially concerned with the selection of new members of the board. The government required the Chinese officers in this institution to make regular reports on every important decision they made to the Resident, who would then pass these on to the Governor-General. In 1868, the colonial government issued a *besluit* stipulating that the highest rank of Chinese officers, the *majoors*, would *ex-officio* be as chairman of the *Kong Koan* and its representative in formal government meetings (Hesseling-Tjan 2003: 107-108).²

In Batavia, the role of this institution was more preponderantly economic than elsewhere in Java. Throughout the nineteenth century and in the early twentieth century, the Batavian *Kong Koan* managed to acquire some fourteen private estates (*particuliere landerijen*), which were used commercially for cemeteries and the construction of housing. Ensured of a steady income from the sale of plots of land for graves and housing, the *Kong Koan* of Batavia evolved into a relatively wealthy institution, which contributed to its survival until the Japanese troops invaded Java in 1942, after which most of Dutch colonial institutions were dissolved (Blussé & Chen Menghong 2003: 5).³

The intermediary role of this institution in the administration of tax farming is clearly revealed in its Batavian branch. In this city, Chinese officers in the *Kong Koan* played a relatively substantial role in the monitoring and evaluating the process of tax farm. It was reported that the Dutch authorities in Batavia needed advice from

-
- 2 The colonial government did not, however, impose any strict regulations stipulating the length of service of the Chinese office holders and their membership of the *Kong Koan*. In some cases, it could be a position for life, but in certain cases some Chinese officers were deprived of their positions, after being found guilty of criminal, bankruptcy or suffering health problems or similar circumstances (Chen Menghong 2009).
 - 3 During its long existence, the *Kong Koans* produced sizeable archives, brimming with an abundance of information about the social life of the urban Chinese community in colonial Indonesia. Unfortunately, most of the archives have already 'disappeared', and only a small part of them – from the *Kong Koan* office in Batavia – was donated to the Sinology Institute of Leiden University, The Netherlands. Most of the archives were written in Chinese, but in the years 1918-1921 the archives were also written in Malay (Blussé & Chen Menghong 2003).

and the cooperation of Chinese officers in *Kong Koan* when they were endeavouring to ensure that every tax farm licence would be granted to a reliable *pachter*, who could operate it properly according to the terms of the contract in ensuring the delivery of the agreed revenue (*pachstschat*). In her study, Chen Menghong (2009: 84) reveals that the *Kong Koan* became increasingly involved in the operation of tax farms. This institution was the vehicle for transmitting any information regarding tax farm regulations from the Resident to the tax farmers, and sometimes was also delegated by the authorities to execute instructions about the execution of certain necessary actions arising from tax farm problems in Chinese community. Every year, usually in May or June, the *Kong Koan* received a letter from the Director of Finance via the Resident of Batavia (after 1854 via the Assistant-Resident) enquiring whether or not the tax farmers wanted to submit a request for an extension of their farm contract, and the Chinese officers would return the *pachters'* answer to the government before 15 July. This communication was especially urgent if a tax farm contract was due to expire.

In its evaluation process, the government found it necessary to take advice from the Chinese officers and the *Kong Koan*, particularly when the former were attempting to reformulate new value for the following farm year based on the actual result of the previous *pachttermijn* (farm term). Furthermore, should conflicts or disputes flare up between the government and the *pachters*, or between *hoofdpachters* and *onderpachters*, the Chinese Council or its representation was authorized to conduct investigations on behalf of the colonial government. The results of the investigation would be used by the government as input in making a decision about what to charge the *pachters* or, if necessary, to sue them in court for breach of contract (Chen Menghong 2009: 85). It would seem to beggar belief that this sort of investigation could produce an objective result as most of those Chinese officers sitting in the *Kong Koan* were also often *pachters* or *pacht* guarantors, implying that the dispute involved their personal interests. Generally speaking, this situation illustrates the complicated working of tax farm system of which the Dutch government in Batavia did try to seize a full control

but found that it did not stand a chance without the assistance of its Chinese partners.

In Semarang and Surabaya, local Chinese officers and the *Kong Koan* also joined hands to govern the social affairs of a large Chinese community. In Semarang, the *Kong Koan* was established in 1835 on initiative of Tan Hong Yan, *Majoer der Chineezen* and the biggest *pachter* at the time. Liem Thian Joe (1933, reprinted 2004:131) claims that this Chinese Council was only officially recognized as part of the colonial administration after 1885.⁴ The *Kong Koan* of Semarang was known as the *Tjie Lam Tjay* meaning 'Place of Guidance', derived from its role in the administration of various matters such as police affairs, tax and tax farm, law, marriages, deaths and funerals, registration of births, temple maintenance and the running of cemeteries, and providing help for the poor and orphans (Liem Thian Joe 2004: 125). In Surabaya, where the Chinese population was also quite large, the majority lived in the Chinese quarter (*Chineesche wijk*) (Noordjanah 2004: 10; Salmon 1997:121-78). In 1880, there were at least three elite families of Chinese, namely the Tjoa, Han and The families, who had controlled large areas of private lands since the Daendels' era. The heirs of these families provided most of the Chinese officers and *hoofd opiumpachters* in Surabaya, Besuki and Pasuruan. Unfortunately, information about the working of the *Kong Koan* in Surabaya is limited (Salmon 1991:53-87; 2004: 273-87).

In the Principalities of Yogyakarta and Surakarta,⁵ the Chinese population was smaller, although its members still played a significant

4 This is an interesting remark, considering the fact that in Batavia this institution had been integrated into the indirect colonial administration system quite a while earlier. I assume Liem Thian Joe interprets the fact that in that year, 1885, the government was more concerned about the continuation of this institution. The Chinese officers sitting in the *Kong Koan*, Major Liem Liong Hem (since 1885) and Major Be Biauw Tjoan (honorary since 1873) were indeed embroiled in a conflict stemming from their business rivalry. These two officers headed the two powerful *kongsis* or partnerships, involved in the bitter competition for the opium farm licences at the auction in June 1889 (Salmon 1991: 33-48).

5 The Principalities of Yogyakarta and Surakarta were established in 1755 after the signing of the 'Giyanti Treaty', under which the Sultanate of Mataram was divided. In the wake of Java War, the colonial government introduced a special administrative arrangement in

economic role (Houben 1994; Wasino 2008). Because its number was not huge, the colonial government deemed it unnecessary to establish Chinese Council and delegated Chinese civil issues to just a few Chinese officers. The official government journal shows that in 1880 Yogyakarta had only one Chinese *kapitein*, one Chinese *luitenant* and four Chinese *wijkmeesters*. In Surakarta at that time there was also only one Chinese captain, one Chinese lieutenant and five Chinese *wijkmeesters* (*Regeerings-Almanak* 1880: 226).

In a nutshell, in the following aspects at least the dominant position of the Chinese in the operation of the tax farming in Java attributed to their competitive advantage. *Firstly*, they had sufficient economic resources. As a matter of fact, the Chinese who gained the concession to run such lucrative tax farms as the opium tax farm were among the wealthiest in their community. They had enough capital to offer the highest bid at an auction, and had at their disposal a business network that was very useful in the task of collecting and delivering the requested *pachtsom* to the government. Their good reputation in business made the Chinese tax farmers reliable partners in the task in the eyes of the colonial government. *Secondly*, they also had political resources at their fingertips, as most of the tax farmers also held strategic political positions in Chinese community bearing such titles as *Majoor*, *Kapitan*, *Luitenant*. Their official positions eased the process of collecting taxes from the population. *Thirdly*, they had socio-cultural benefits at their disposal. In the absence of indigenous competitors, the Chinese were the strongest economic players among the other Asian Foreigners in Java. Their long historical role as a middle group connecting the modern sector of Europeans and the traditional indigenous sector, had allowed the Chinese to build up the best expertise for doing business in this island.

these regions in 1830, granting local aristocrats the right to maintain a semi-autonomous political status. This was exemplified in the policy to exempt the regions from the obligation to cultivate cash crops under the Cultivation System period (although this left a room for the local authorities to replicate the system in their territories) and the policy to limit the number of European officials and to provide a certain share of tax revenue collected from the regions (van den Haspel 1985: 103-16; Houben 1994: 85-89).

Revenue Farming in The Early State Formation Period, 1800s-1830

After the collapse of VOC at the end of eighteenth century, the new colonial administrator retained revenue farming as part of the new fiscal system on Java. Daendels' role in this was once again immense. In the short period of his administration, Daendels reintroduced revenue farming, particularly the opium farm, in the area under Dutch control. By the end of 1810, the *Bataviasche Koloniaal Courant*, the first and only official publication at the time, reported that colonial administrators in Batavia and its surrounding areas farmed out licences to collect tax on about twenty-five different kinds of economic activities.⁶ Similar revenue farms were also developed in eastern Java and the Principalities of Yogyakarta and Surakarta. The only difference was that in the eastern Java the revenue collected was delivered to the colonial authorities through the Chinese *Kapitan*, the buyer-owner of the lands. In the *Vorstenlanden*, the Sultan of Yogyakarta and the *Sunan* of Surakarta were absolute receivers and managers of the system, although all tax-farming activities in these areas were also in the hands of Chinese merchants (Daendels 1814; van den Haspel 1985: 62-3).

In the hope of maximizing profits from tax farming, Daendels made efforts to specify and clarify the rules and regulations governing tax farming without interfering in the way it was run. The auctions of domains and rights to tax farms and opium distribution were tightened to counteract the corruption and attempts to profiteer formerly pursued by the Company servants, particularly on the north coast of Java. All payments from tax farms had to be in cash, either in silver or paper money. In the matter of opium, for example, he decided to make the Residents sole agents in their areas for the local distribution of opium purchased from government warehouses and retailed through recognized shops. The other tax farms, such as *syahbandar*-ship, were auctioned for three-year terms, which had been the custom for years

6 *Bataviasche Koloniale Courant*, 14 December 1810.

along the coast. The only change was that the auctions were held closer to the location of the farm.⁷

Daendels' administration received a more than considerable amount of revenue from tax farming. In an official report published in 1814, Daendels claimed that during his administration up to 13 March 1811 the revenue farming had collected a total sum of Rds. 5.25 million in silver coin and 5.07 million in paper money. In the first year of his governorship, revenue farming had already netted a sum of Rds. 1,54 million in copper and paper money from the five main farm areas: Batavia, Cirebon, Banten, Semarang and Surabaya. This was more than one-third of that year's total income that amounted to 5.3 million Spanish dollars, or more than half of the total yield of paper money that was 2.15 million. This amount would have been much higher if the profit from the opium trade, no less than Rds. 88,246.48 had been calculated in the same category. For the next two years, unfortunately, Daendels' data does not specify the contribution of revenue farming to the total income of his administration.⁸

The *Bataviasche Koloniale Courant* provides a review, alas incomplete, of the yield of revenue farming from various parts of Java from 1809 to 1810. The complete report of the financial contribution of the revenue farming that covered the whole Daendels' period is revealed only for Batavia and Banten. The data show that in these two regions, revenue farming brought in as much as Rds. 876,000 in 1807, Rds. 1,015,560 in 1808, Rds. 1,007,552 in 1809, Rds. 889,440 in 1810 and Rds. 1,158,360 in 1811. Out of nineteen types of tax farms, export and import duty and opium sales constantly stood out as the two biggest tax farms contributing about 25,000 and 26,000 guilders per year respectively.⁹ Indeed, these had been the 'traditional' sources of revenue in the region since the VOC period. A recent study claims that opium in particular, had actually been a more important source

7 Daendels (1814: Vol. 3, Bijlagen 2, Financiële Zaken, Verpactingen No. 43b, dd. 1 Junij 1808).

8 Daendels (1818: Bijlagen II, table no. 64). It was quite hard to verify the data since alternative sources could not be found.

9 *Bataviasche Koloniale Courant*, 19 January 1811.

of income for the Company, contributing a far higher percentage of revenue than had been estimated in the older literature.¹⁰ By the end of the eighteenth century, the sale of opium in Java was growing rapidly as its popularity as consumer product rose. By this time, smoking opium had already become a widespread habit not only among the Chinese people who had introduced this method of opium consumption in Batavia in the 1650s, but also among Javanese living in other parts of Java (Trocki 1999: 35; Zhou Yongming 1999: 34).

After the British took over Java in 1811, although Raffles' administration was keen to retain Daendels' tax farming policy, it also set about introducing land rent as new fiscal policy. Perhaps hoping that the new system would take root, Raffles did not take any fundamental steps to re-regulate the tax farming system. In the first two years of his administration, the state offered new terms for revenue farming for the farm areas in Batavia and its environs that were auctioned. The official publication, the *Java Government Gazette* on 6 March 1813, for example, advertised the auction of the following tax farms: the licence for keeping greengrocer's shops, the licence of Chinese gambling dens, slaughtering cattle, slaughtering hogs, shorn goats and sheep, manufacturing wax candles, cutting and selling tobacco, the rice-market, the fish-market, the *wayang*, the weighing-house, the consumption of arrack over the whole island, the bumboat trade to ships and vessels in the roads, the production of salt, and the exploitation of the Thousands Islands. The terms and conditions of the licence farms remained relatively unchanged and barely deviated from the older practices; the licence was valid for one year only and an extension was possible only after a positive assessment; and tax farmers agreed to collect a fix sum of money either in gold or silver regularly during the contracted term.

True to his liberal convictions, Raffles intended to replace revenue farming by a direct collection by government officials. In East Java, he did manage to turn the salt tax farm into a government monopoly,

10 In his study, Souza (2009: 129-30), for example, presents a new estimate claiming that more than 62% of the VOC income from 1702 to 1796 was gained from trade, more than half or about 52% from the sale of opium.

especially after he repurchased land that had been sold from its Chinese proprietors (de Waal 1865: 252; Bastin 1961: 100). However, his overall plan to reform the other revenue farms had to be cancelled on account of the divergent socio-political conditions on the local level. In the *Vorstenlanden*, for example, Raffles' plan to take over the existing tax farms was rejected by the Sultan of Yogyakarta. When Raffles sent an expeditionary army to Yogyakarta in mid-June 1812, all the tollbooths in the region were burnt down, probably on the instructions of the Sultan. Aware of the significance of tax-farms as long-term source of revenue, the Sultan was hesitant about handing them over to the British. In subsequent years, tax-farms became an increasingly important ingredient in the conflict between the Sultan of Yogyakarta and Raffles (Carey 1984: 22-24).

For humanitarian reason, Raffles was also determined to eliminate the opium and gambling farms, which he considered sources of the degradation of the Javanese population. He did succeed in abolishing the gambling farm, but his plan for the opium farm was abandoned on the instructions of his superiors not to interfere in the Bengal-Java opium trade or in the existing opium farm system in Java. The only step he achieved in this direction was to restrict and confine the retail and consumption of opium to certain areas, as among them the suburbs of Batavia, Semarang, Surabaya, and of the *Vorstenlanden*. The continuity of the opium farm under Raffles' administration can be read in the government advertisements of the auction of the opium farm in the *Java Government Gazette*. On 24 April 1813, for example, the government advertised an invitation to attend the auction of opium farms in Batavia, Semarang and Surabaya valid for one-year term, from May 1813 until April 1814. As a matter of fact, Raffles made no change to the existing opium business, and farmed out the opium licence to the old players: the Chinese businessmen (Baud 1853: 156-57).¹¹ Unfortunately, statistical data on the yield of the revenue farming under Raffles' administration is quite limited, a clue to its inferior

11 It should be noted that although Raffles officially recognized the paper currency issued by Daendels, its value had fallen substantially, namely Rds. 6½ to Rds. 1 silver, and one Rix-dollar was fixed at 64 *stuivers*. See van Niel (2005: 232).

place in Raffles' fiscal policy. Nevertheless, it has to be reported that Raffles did succeed in reducing the rate of opium consumption per person from 1/84 pounds in 1805 to 1/133 pounds 1816, but the value of opium import increased to Rds. 73,250 per year from Rds. 54,000 per year during the previous Daendels' period. The increase is explained by the fact that more members of the population were now consuming opium in a wider area (Baud 1853: 158-60).

After the British returned Java to the Dutch in 1816, the reform of the colonial administration was resumed under the leadership of Governor-General van der Capellen (1816-1826). Stevens (1982: 231) describes van der Capellen's administration as liberal, referring especially to his economic policies that were in line with the earlier liberal ideas of Van Hogendorp and Raffles. However, in the matter of the revenue farming, Van der Capellen's liberal mind-set failed to come up with a fresh approach. In fact, he retained and even extended most of revenue farming activities. He even made some revisions to maximize the yield of revenue. The opium tax farm was extended to the whole of Java with the exception of the Priangan, and was now bolstered by the exemption from import tariff on this commodity. The exclusive long-term right to run a pawnshop that was introduced by Raffles in Batavia in 1814 was extended to most districts of Java, except the Principalities and the Priangan Regencies. The Chinese gambling (*dobbelspelen*) farm, abandoned during the British administration, was reintroduced in 1817 and a new tax on the *pasar* (market) was incorporated into the tax farm system after 1821 (*ENI* 1917: 224; de Waal 1865: 303-14).

The Chinese merchants still played a dominant role in controlling the running of the revenue farming. Their position was given a further boost after 1819, when van der Capellen adopted Daendels' idea of prohibiting Regents to conduct trade or other business, effectively turning them into subordinate officials with a fixed salary, who no longer had any claim to land, a pension or other traditional rights. He viewed the Regents as 'superfluous' and corrupts, a weak link that even ran the risk of eroding government legitimacy (Schrieke 1955: 215-17). For the sake of efficiency, van der Capellen did abolish some

of the small tax farms, which could potentially spark social disputes that might destabilize public order. In 1818, the colonial government abolished the tax on marriage among Javanese in Tegal, the tax on the production of ordnance in Gresik, the tax on the sale of betel-quid leaves and slaked lime in Banten, the tax on *ronggeng* performances in Banten and Tegal, and the tax on the sale of charcoal in Tegal, sugar in Tuban and firewood in Banten. The taxes on wax-candles and the rice market in Batavia were abolished in 1823 and 1824. The *pacht* of trade by *prahu* in Batavia and *gambir* in Banten were stopped in 1824 and 1826. Finally, the tollgate tax farms were eliminated in 1824, beginning with the areas of Pekalongan, Kedu, Semarang, Surabaya and completed in 1827 in the *Vorstenlanden* areas, where it became one of the underlying causes of Java War (Carey 1986).

The Java War and its political and economic aftermath paved the way for a new colonial era in the island; the Dutch adjusted their colonial policy, turning it away from a fairly liberal approach to a more conservative administration. Up to this point, tax farming had been an important source of revenue for the colonial government. During the period 1817–1830, De Waal, the former Director of Finance, reported that opium was still the most profitable tax farm in Java, contributing more or less 28 million guilders or about 60 per cent of the total tax farm revenue in the island. Of the smaller tax farms, the market tax farm (*passarpacht*) collected the highest revenue. In the period 1817–1830, the market tax farm collected about 9.5 million guilders in revenue from all over Java (De Waal 1865, IV: 125-132).

In a critical article, L. Vitalis, a liberally minded ex-colonial officer, argues that of all the small tax farms, the market tax farm was *de zwaarste en de kwellendste*, the heaviest and most abusive. With a licence in their hands, the *pachters* could demand money from peasants wishing to sell their goods at nearby markets as well as a transit tax, a tax on raw materials for handicrafts, and a tax on the products, either in cash or in kind. Over and above this, these *pachters* often extracted up to six times the rate permitted by the government. In the long run, this tax farm impeded local trade and had a deleterious effect on activities in small industries and handicrafts (Vitalis 1851:

364-7).¹² Despite such warnings, the colonial government abolished the market tax farm only in 1851 after the realization had dawned that the market tax farm was one of the underlying factors explaining the poor performance of Javanese market exchange; a condition that contributed to the diminishing welfare of Javanese peasants in that period (van Zanden 2004: 1033).

Revenue Farming in The Period of High Colonialism, 1830-1890s

After the introduction of the Cultivation System in 1830, revenue farming was operated to support the new fiscal policy, which was to collect taxes from the non-agricultural sectors. After the end of Java War, the Dutch gained undisputed control over Java and experienced no obstacles to extending the operation of revenue farming throughout the whole island. As a result, during the period 1836–1875 revenue farming emerged as the most important supplementary source of income to the financial success of the Cultivation Period, contributing an income of about 459 million guilders, the bulk of which was accrued from opium farm (Diehl 1993: 200). For that reason this section begins with the discussion of this financially important tax farm.

Opium farm (opiumpacht)

By the mid-nineteenth century, the opium farm had been imposed throughout all the territory under Dutch control, with the exception of such opium-free zones (*verboden kringen*) as Banten, the Priangan Regencies and several other smaller regions where Islamic influence discouraged or local rulers militated against opium consumption

12 *Staatsblad van Nederlandsch Indië* (hereafter SvNI) 1851 No. 73. This document confirms Vitalis' view that the market tax farm was indeed exploitative. It goes on to say that the market tax farm had doubled the tax burden on the population whose work was linked to the *pasar* (market), that not all the money collected by Chinese tax farmers actually reached the government exchequer, that the tax had increased the prices of goods sold in the market, and the tax was riddled with abuse and corruption (*misbruiken en knevelarijen*), and even offered a medium for smuggling certain illegal commodities (*sluikerij*), particularly opium.

(Rush 1990: 25, 142-143).¹³ Opium was not cultivated in Java, but was imported from Turkey and Bengal, India. The Dutch Trading Company (*Nederlandsche Handel-Maatshappij*, NHM) obtained a monopoly on the import of opium in 1827.¹⁴ The opium farm activities were regulated by the Opium Ordinance of 1833, which stipulated a six-year term for farm rights, including the processing of raw-opium, its distribution, sale and provision to public smoking places or opium dens (*opiumkitten*). In 1847, the Ordinance was revised to limit the contract to one year.¹⁵ This provision was retained until the end of nineteenth century and, although some other revisions were made, these pertained only to the annual terms and conditions of the opium farm (van Dedem and Piepers 1889: 139-140).

The last Opium Ordinance was issued in 1890 (SvNI 1890 No. 149), and its terms extended the scope of government opium regulation to all kinds of new drugs such as morphine, heroine, and their like, in addition to the 'old drugs', namely prepared opium for smoking (*candu, tike'* or *ditjing*), opium-pills (an opium addict remedy) and opium-powder. This opium decree emphasized that only government-appointed agencies could distribute those opium products in the allocated areas. Violation of any articles incurred a fine (*geldboete*) of 1,000–10,000 guilders. Article 4 of the Ordinance stipulated that the opium farm licence was valid for one fiscal year only and any extension was only possible to a maximum of three years. The licence would be granted to the best candidate at an auction, which

13 For the Priangan Regencies, another particular reason of the policy was the Dutch interest in keeping the region free of any intrusion by the Chinese so that the coffee and then the tea production previously developed under the *Priangan-stelsel* could be continued without interruption (Bremen 2010: 5).

14 This is extracted from a letter sent by the Director of Means and Estates, H.S. Van Son to the Directeur van Financien, c.q. Governor General J. C. Baud, dated 25 October 1834, ANRI/Departement van Financien (DvF, hereafter).

15 ANRI K.52.994/DvF/Bundle year 1850. "Reglement voor de Opium-pacht op Java en Madura", ANRI/DvF/Bundel year of 1853; and "Soerat peratoeran dari beja Apioen di Tanah Djawa dan Madura", and a complement index of titles "Printah-printah atas mana nantie di djoel beja djoelan Apioen dengan sediekit-sediekit di Tanah Djawa dan Madura dari tahun 1848".

would be held in the centre of the regional administration (*hoofdgewest*) and be supervised by government representatives.¹⁶

Contemporary writers describe the auction of the opium farm as an important event, metaphorically depicted as a *peperangan antara raja-raja* (battle of the kings) (Liem Thian Joe 1933: 141; Rush 1990: 43). On this occasion, the wealthiest and most powerful Chinese in Java gathered to compete with each other to win the precious opium concession. As a consequence of its socio-economic significance, the auction of the opium farm was considered as a state occasion, held in the *pendopo* (headquarters of the government administration) and attended by higher and lower ranking Dutch and Javanese officials (Piepers 1884: 314-15). In the eyes of the presiding Dutch officials, the Resident and Assistant Resident, the successful opium farm was the source of goodly financial contribution to the state treasury in their Residency, an indication of the success of their administration. For the Chinese businessmen, winning the opium auction was not simply gaining control over the most lucrative government tax licence but the prestige and patronage implicit in holding it. Moreover, holding the monopoly right to sell opium, meant the Chinese opium *pachter* could enjoy an exception from the restrictive policy of pass and district system (revived in 1823), allowing him to travel to the countryside in pursuit of other economic activities, such as trading in agricultural products, money-lending, plantations and many more (Trocki 2002: 305; 2009: 337).

To make sure they won the monopoly rights to run the opium farm, the Chinese participants made various preparations. They would observe local conditions to assure themselves that the farm was potentially profitable and worth such a big investment. However, the most important preparation was to form a strong partnership to ensure they won and could run the opium farm. This partnership, commonly known as *kongsi*, was expected to appoint two guarantors

16 Before the auction, the government announced a vacancy in a new *pacht* term in certain regions, and advertised the auction in the government newspapers, the *Javaasche Courant* and some private ones, like the *Bataviaasche Handelsblaad* in Batavia, or the *Sourabaiasche Handelsblaads* in Surabaya.

who would sign the farm contract with the tax farmer and thereby binding themselves to its stipulations (Vleming 1925).¹⁷ Rush says that in many cases these three men represented a much larger *kongsi*, association, which actually financed the farms. The members of an opium *kongsi* were often quite numerous and each member had a certain share in the financial contribution and profit earning, which was endorsed by a legal agreement. While the Chinese went about deploying their strategy, the government prepared for the auctions by collecting information on the performance of the *kongsis* to be certain that the licence would be granted to the most reliable of them. The government required the *pachters* to have at least two official guarantors to ensure that the payment of *pachtsom* would be delivered every month. It also did its best to prevent any prolonged domination by certain *kongsis*, as a way to create a fair competition among the opium farmers for their own benefit (Rush 1990: 46-47).

The successful bidder signed a contract with the government that included at least three basic arrangements: the exclusive right to retail opium in a clearly defined territory, the duration of the contract that lasted from one to three years, and the price, that is the farm fee plus the cost of purchasing opium officially from the government. In its running of the opium farm, a grantee *kongsi* often divided the farm territory into smaller sections, each leased to a sub-farmer under the terms of a formalized agreement. The purpose of this practice of sub-contracting was to facilitate the operation of an opium farm; after all, the opium farmer had to personally prepare and process the raw opium, and thereafter sell and distribute it. Finally, it protected his monopoly rights. The first two tasks were performed with the co-operation of the sub-tax farmer, while the last was handled by hiring Javanese *mata-mata* (spies), who were martial art experts. The importance of the local Javanese bureaucrats who supported the operation of opium farms and helped the opium farmer to reduce the smuggling and *patungan*

17 In many cases, the guarantors often held a high position in the Chinese community, such as *kapitan* or *luitenants*. Referring to Batavia, Lohanda (1996: 185-86) argues that none of the *Kapitan* of Batavia had never been recorded as the licence holder of any opium farm, although some of them appeared to be guarantors for other Chinese' opium farmers.

(clandestine opium outlets) in the whole of the farm territory should also not be underestimated.¹⁸ This was a common pattern throughout almost the entire area of opium farm territories in Java until the last decade of nineteenth century.

Before it could be consumed, the raw opium had to be refined and then sold to the opium dens (*opiumkitten*). The opium *pachter* were held responsible for providing these facilities at their own expense and for keeping their technology up-to-date by importing the latest machinery for producing good quality opium from abroad, particularly Singapore. Hence they were in a position to produce various kinds of ready-to-use opium (*bereidsopium*). *Tiban* or *cako* was the best quality opium sold at highest price and could only be afforded by *priyayi* and rich Chinese people. *Siram* or *cakat* was second quality opium and was highly popular among the ordinary Chinese and Javanese. In everyday parlance, the Javanese word *candu* was often used to refer to all kinds of opium regardless their varying quality. In the opium stores or opium dens, the consumers could buy *tiban* or *siram* opium, the smoking kit (*padoedan*) and find a smoking room with *bale-bale* (easy-chair made from bamboo), which could accommodate for two or three persons. In many cases, these smoking dens were also brothels and gambling-houses, enticing young Javanese to spend their money (de Waal 1864, vol. 1: 29-30).¹⁹

Indeed, since the early decades of the nineteenth century in Java, smoking opium had been becoming a more common feature of urban and rural life. In urban areas, the Dutch and the 'half-blood' European people consumed opium as a form of recreation. In the coastal cities, wealthy Chinese men enjoyed an opium pipe in their homes and in private smoking clubs, while their poorer countrymen shared public dens and clandestine smoking places with the locals.²⁰ Rush states that

18 Charles TeMechelen, "Rapport Uitgebracht in Voldoening aan 's Gouvernement Besluit d.d. 9 Juli 1885 No. 9", KITLV, H. 422 (a), p. 88.

19 Referring to Buitenzorg, Boomgaard (1986: 35) writes: "A *warung* in the Ommelanden around 1800 was a brothel-cum-opium den, doubling as gambling-house and cockpit. It was there the unmarried *bujangs* spent their money and got into debt."

20 TeMechelen, "Rapport Uitgebracht ...", p. 80-6. In his investigation, TeMechelen found out that addicted Javanese people in a *desa* who earned f 0.25 per day

the reasons the Javanese consumed opium varied. Among wealthy Javanese, opium was consumed as a recreational drug, offered as a treat to serve to important guests on special occasions and at other ceremonies. Among the poorer Javanese, it was used to remedy various ills: headaches, fevers and chills (including malaria), stomach-aches, dysentery, asthma, tuberculosis, fatigue and to alleviate anxiety. Opium was also used to combat the symptoms of venereal disease (*sakit perempuan*), and for pain caused by such injuries as dislocated joints and broken bones. However, when push came to shove most of Javanese labourers used *candu* as a stimulant (*obat cape*) and a relaxant (Rush 1990: 30-35).

The extensive spread of the opium farms all over Java can be inferred from the colonial report written by the *Direkteur der Middelen*, E. de Waal in 1860. This report reveals that from 1848 until 1861 opium farm had been introduced throughout the whole island, except in the 'forbidden area' of the Priangan Regencies. Nevertheless, generally speaking the number of opium farms granted decreased steadily from 2,738 in 1848 to 2321 in 1855, dropping to just 1,812 farms five years later. This fall was the outcome of a reform policy introduced by the colonial government, whose aim was to create more efficient opium farms.

This description makes it quite clear why opium farms were so profitable and the colonial government could not afford to remove them from its list of revenue sources throughout the nineteenth century. Table 3.1 shows that the contribution of the opium farm increased enormously from decade to decade throughout the nineteenth century until its abolition in 1894. This upward trend began after the Java War and continued unabated until the last decade of the nineteenth century. The years 1846–1855 were an exceptional period when opium revenues decreased slightly from previous decade. By and large, the

could spend f 0.20 on *tikke* or *candu*, for which they got no more than 5 or 2 *mata* opium (1 *mata* is approximately 0.38 grams or 380 milligrams). Information from selling places confirmed his finding. However, opium-den owners in a *desa* explained that only a few spent f 0.20 per head per day on opium. A special regulation covered the consumption of more than 20 *mata* of opium per day, for example, to celebrate a special occasion.

positive trend in the revenue yield from opium farms drove up total government income from the whole revenue farming system, including the heyday of the Cultivation System in Java (1830–1870). The highest income share generated by the revenue farming was collected in the period of 1886–1895, and thereafter the yield decreased gradually until moves were made to abolish it in the 1890s. In contrast to the opium farm, the income from other tax farms throughout the nineteenth century remained pretty stable at average of 31.2 million guilders per decade or about 6 per cent of the total yield of revenue farming.

Table 3.1. Income from revenue farms in the Netherlands Indies, 1816-1915

Year	Income from revenue farms (in f million)			As a percentage of revenue of the Netherlands Indies		
	1	2	3	4	5	6
	Opium	Others	Total	Opium	Other	Total
1816-1825	14.8	12.8	27.6	8.2	7.1	15.3
1826-1835	31.3	20.0	51.3	11.8	7.5	19.3
1836-1845	65.4	39.8	105.2	16.7	10.1	26.8
1846-1855	63.9	38.4	102.3	16.2	9.7	25.9
1856-1865	96.6	27.5	124.1	17.6	5.0	22.6
1866-1875	103.5	24.2	127.7	14.6	3.4	18.0
1876-1885	158.3	33.4	191.7	16.8	3.5	20.3
1886-1895	182.1	46.3	228.4	18.1	4.6	22.7
1896-1905	99.9	38.6	138.5	8.6	3.3	11.9
1906-1915	21.6	33.9	55.5	1.1	1.8	2.9

Source: Diehl (1993:199)

The high profitability of an opium farm benefitting both the colonial government and the *pachter* was revealed by Fokkens, who was in charge of the revenue farming investigation conducted in 1892. In his report, Fokkens shows how an opium *pachter* went about maximizing his profit by expanding his business interests from the basis provided by his opium farm license. With the opium licence secure, he

had at least two other benefits firmly within his sights. *First*, he would be in the running to win a licence for other smaller tax farms. In most cases, he used his partners to land the licence of the small tax farms, particularly those for pawnshops, gambling and slaughtering cattle. Herein lies the explanation of why in some Residencies in Java, one *pachter* could control more than one type of *pacht*, but some *pachters* might even win tax farm licences in more than one single farm area. *Second*, his status as opium licence holder meant that the *pachter* was exempted from the restriction policy of *pass en wijkenstelsel* and could travel at will into the hinterland. These benefits allowed an opium *pachter* to maximize his profit and expand his business and economic influence.²¹

The bulk of the financial contribution of the opium farm derived from those operated in Java and Madura. Apace with the mounting use of opium in Java and Madura by a growing number of indigenous people, the revenue earned rose considerably decade by decade. De Waal (1865, Vol. 1: 71) reports that that in the last three decades of the nineteenth century, the revenue farming in Java contributed about 934.8 million guilders to the state exchequer, in which the share of the opium farm was about 532 million guilders or more than 50 per cent. Hence it would be no exaggeration to say that the opium farms were the backbone of revenue system and emerged as one of the most important revenue sources for the colonial government after the abolition of the Cultivation System in 1870.

The small tax farms (kleine verpachte middelen)

Compared to those drawn up to control the opium farm, the regulations for the small tax farms (*kleine verpachte middelen*) laid down by the colonial government were less extensive. The first comprehensive regulation of the small tax farms was introduced only after 1880 when Government Decree Number 206 (SvNI 1881 No. 206) was promulgated. This decree set out a general administrative

21 NA/MvK, Verbaal 12-07-1892/61 (Inventory number 4837). “Nota betreffende de vervanging door directe collecte dan well eigen beheer van de op Java en Madoera voorkomende pachten der gewone of kleine middelen”.

framework for the small tax farms in a series of points summed up as follow. Local government officials, where the tax farms were located, were vested with the authority to determine the terms and conditions of the tax farms, to select the tax farmers by auction, and to supervise the operation of tax farms. The *pachters* were requested to submit monthly reports to the local administrators who would pass these on to the central government. The selected tax farmers were also required to nominate two reliable guarantors. The tax farm contract was valid only after the head of the region (the Resident or Regent), the tax farm deputy who was responsible for controlling the farm, and the selected *pachter* with his two guarantors had signed and countersigned the agreement. Lastly, the decree stated in no uncertain terms that the contract would be cancelled if the *pachters* failed to meet the stipulations in the tax farm contract.

Every year the colonial government announced the types of small tax farms to be bid for at public auction, but the number of tax farms could change. To give an example, in 1860 the government offered fifteen kinds of different small tax farms.²² In the farm year of 1875, twelve of them plus two additional local tax farms, namely the tax farm on ferry and raft transport in Surabaya were auctioned and tax farm on the water gate in Semarang harbour (SvNI 1874 no. 241). Fifteen years later, the government offered the fifteen tax farms altogether in SvNI 1890 no. 143, with some revisions and one additional tax farm. The revisions affected the tax on slaughtering cattle, which was expanded to include horses, and the tax farm on edible bird's-nests that was extended to the Residencies of Banten, Rembang, Besuki

22 They were the tax farm for cattle slaughtering: cows, bulls, goats, and pigs, for the pawnshops licences, for the sale of Javanese and Chinese tobacco in the residencies Banten, Batavia and Buitenzorg-Krawang, for ferries and bridge tolls, for the exploitation of forest in the Residencies of Banten and Krawang, for the sale of edible bird's-nests, for the licence for Chinese gambling dens in Batavia, Semarang, and Surabaya, for *wayang* performances in Batavia residency, for the collection of the Chinese head-tax in Batavia Residency and Madura (except Regency Pamekasan), for the sale of fish in the Residency of Batavia, for fishing in the Residency of Banten and in eastern Batavia, for the sale of *arak*, *rum* and *ciu* in Java and Madura, for the collection of the small business tax (*neringen*) in the Residency of Batavia, and the exploitation of the Thousand Islands (north of Batavia) (SvNI 1859 no. 71).

and Bawean. The only additional *pacht* was the tax on water gate at *Tangke*, in the eastern part of Batavia.

These annual decrees consisted only of general regulations for the small tax farms but did not mention other such specific conditions as, price, value of the farm, length of contract farms, and so on. To deal with these specific regulations, the colonial government set up special administrative statements for each type of tax farm. The following paragraphs contain a review of the administrative arrangements for these small tax farms, the majority of them in Java and Madura.

The first to come under scrutiny is the tax farm on fish (*vischpacht*), the fish markets (*vishmarkten*), and the fishing industry (*visscherijen*) that were leased as one single farm for the first time in 1817 and lasted until 1863. This tax farm was introduced in eight areas specifically concerned with the fishing industry: Batavia, Bantam, Krawang, Tegal, Semarang, Surabaya, Pasuruan, and Besuki. The tax farm in Krawang, where there was a steady decrease in the catching and subsequent selling of fish, was abolished in 1832. The tax on fish applied to the sale of fresh fish caught in the sea, rivers or fishponds and on dried salt-fish, and other fish products sold at the government market, with the exception of sea cucumbers, seaweed, fish glue, and shark's fins. The Colonial Ordinance promulgated on August 20, 1863 regulated fishing and the fishery tax farms, and in the final year of their operation they contributed about 200,000 guilders annually to the government treasury.²³

The tax on the sale of local liquor such as *arak*, *rum*, and *ciu*²⁴ restricted liquor sales to specific government-appointed locations. Other local liquors, such as *bandrik* or *brom*, which the Javanese produced and consumed in smaller quantities, were not taxed. The liquor tax farm (*sterke dranken pacht*) was imposed in 1720 in Batavia by the VOC and extended throughout Java in 1817. Licences were

23 ANRI, K.52.944, "Voorwaarden voor de pacht der Visscherijen in de oostvaart van Batavia gelegene residentien, waar dit middel bestaat"; de Waal (1865, vol. IV: 314-19).

24 These were local names for various kinds of liquor. *Kamus Bahasa Indonesia Kontemporer* (1991) defines *arak* as an alcoholic beverage derived from fermented rice, while *rum* and *ciu* were made from fermented sugar cane producing an alcoholic content of up to 20%.

for only one year, renewable every 13 January. Violators of the rules were fined between 100 and 1,000 guilders. Special regulations applied to the sale of liquor to military officers, Europeans and indigenous people. A government ordinance of 1843 stipulated that military officers could drink liquor only in special bars, canteens or cafés (*warung minum*), opened only from 10 p.m. to 6 a.m. After 1850, liquor consumption in Java underwent a process of “Europeanization,” as Dutch liquors such as *jenever* and *brandewijn* began to conquer the indigenous market. Consequently, despite the liquor tax farm annual yield of approximately 200,000 guilders, the government abolished the liquor tax farm in 1872 and put the liquor tax on the schedule of excise duties one year later.²⁵

The right to collect tax on slaughtering animals, including cattle, buffaloes, sheep, goats and horses, was mostly farmed out to the Chinese throughout Java and Madura. The sources available do not mention the exact year this tax farm was introduced, but according to De Waal’s report, it was in force in the most important residencies in Java in 1817, contributing 62,400 guilders in total revenue. The SvNI of 1851 No. 62 set a tax of 3 guilders on slaughtering adult cattle, buffaloes and horses, and one guilder for immature beasts. The tax applied only to commercial slaughter, whereas slaughter for religious or charitable purposes, such as *slametan*, *muludan* and *idul adha*,²⁶ was exempt (de Waal 1865: 332; Bool 1892: 12-15). In running of this tax farm, the Chinese tax farmers worked together with the local authorities, in particular the village head and the Islamic butcher (*lebe*). This tax farm survived until 1894, and became an important source

25 ANRI, K.52.944, “Voorwaarden voor de pacht van de verkoop van Arak, Rum en Tjioe in het klein, op Java en Madura”; De Waal (1865, vol. V: 20-23).

26 These three kinds of ritual were among many traditional Javanese Islamic cultural celebrations. A *slametan* is held to thank God for special events such as the birth of a baby, a marriage, harvest, and so on; a *muludan* is the celebration commemorating the birth of the Prophet Muhammad; *idul adha* literally means day of sacrifice is one of the Islamic holidays to honour the *hajj* rituals, in which well-off Muslim slaughtered cattle to be distributed to the poor. See Geertz (1960) and Koentjaraningrat (1984) for a detailed description of Javanese culture.

of local government revenue in the cattle-breeding areas of East Java and Madura.²⁷

The small business tax (*neringen*) was a patent tax imposed only in Batavia and its suburbs. Originally, this tax was levied on vegetable stalls or shops, but was extended to other businesses after 1829. Businesses were classified into eight groups according to size, and assessed for monthly taxes of 15, 12, 8, 5, 4, 3, 2 or 1.5 guilders. This tax farm was closely connected to the market tax farm, and the same person often held the licence. The tax farm operated until the end of the 1860s, after which it was incorporated into the business tax in 1870 (de Waal 1865 IV: 403-4).

The Chinese poll tax (*hoofdgeld der Chinezen*) and gambling tax (*de Chinesche dobbelspelen en Pho- en Topho*) applied mainly to the Chinese living in big cities in Java. The Chinese poll tax was an old tax, initially levied and farmed out in Batavia under the VOC administration. The tax was collected on all Chinese individuals aged fourteen to sixty. The unemployed, the sick, district heads and other officials were exempt. In 1860, the tax rate was 1.33 guilders per year for individuals employed as labourers (*koeli*) or small traders, and one guilder for individuals living in the Batavia suburbs. A government decree of 1823 extended the tax outside Batavia, to Krawang, Semarang, and Madura, where Chinese leaders collected it. In Krawang, the tax was launched promptly in 1826, and yielded a sum of 700 guilders. In Semarang, this tax farm commenced in 1824 and lasted until 1851 when the business tax (*bedrijfsbelasting*) replaced it; in Madura this substitution was in 1865 (de Waal 1865 IV: 406-07).

The Chinese were notorious for gambling in all corners of the Archipelago, and fittingly they also held a virtual monopoly on the licence to collect gambling taxes, as well as the right and obligation to

27 A similar pattern of organization was found in the farm for slaughtering pigs (*varkenslacht*). But since Muslims could not consume pig, the farm yielded less revenue than the farm for slaughtering of cattle. The Chinese farmers were obliged to prepare different places and employ specific butchers for the *varkenslacht* farm. F. Fokkens, "Nota betreffende de vervanging door directe collecte dan wel eigen beheer van de op Java en Madoera voorkomende pachten der gewone of kleine middelen", *Verbaal 12-7-1892/61* (NA, Inventaris Nummer 4837).

control clients of the gambling houses. In Java and Madura, the tax farms were introduced only in the Residencies of Batavia, Semarang, Surabaya and Madura. Government Decree 1849 no. 52 laid down the first regulation of the gambling tax farm, stating that the tax licence would be awarded only to reliable, trustworthy Chinese who had been given permission to operate the farm by the local authorities. Article 11 stipulated that gambling houses could admit only Chinese adults older than sixteen, Europeans and indigenous people were barred. Those who broke the rules were fined 200 guilders, and the tax farmer was charged 1,000 guilders for each illegal person discovered.²⁸ It also stipulated that gambling dens be located far away from markets. The tax rate was 100 guilders per day for gambling houses in the city, and 50 guilders for those outside the city. The Chinese gambling tax farm survived until the 1890s and turned out to be an important source of revenue for local authorities; nevertheless it also produced social problems because of uncontrollable illegal gambling in many areas of Java.²⁹

Closely related to the gambling tax farm was the tax on traditional theatre performances (*wayang*). Also dating to the VOC period, this tax was levied on indigenous and Chinese individuals who organized traditional *wayang* performance. From 1835 (as can be inferred from the SvNI 1849 no. 52), the tax was 80 guilders for a 24-hour performance by women, 60 guilders for a 24-hour performance by men, 30 guilders for puppet theatre, and 20 guilders for a Chinese shadow play (*schimmen*). Any show such as *wayang kulit* performed for religious purposes by indigenous people in their villages was exempt. After 1849, the yield from this tax farm was incorporated into that of the Chinese gambling tax farm (de Waal 1865 IV: 452-5).

The pawnshop tax farm was another old tax farm dating from the VOC period. After being suspended during Raffles' administration,

28 ANRI, K.52.944, "Voorwaarden voor de Pacht der Pho- en Topho of Chinesche dobbelspelen, voor Batavia, Samarang, en Soerabaija". See also in Schnijder (1886: 77-90).

29 ANRI, K.52.944 (1843). "Bepalingen, volgens welke aan de Chinesche bevolking op Java, met uitzondering van Batavia, Samarang en Soerabaya, verlof zal worden verleend tot het spelen van Chinesche dobbelspelen".

the right to run a pawnshop was farmed out in Batavia in 1814 and gradually extended to most districts in Java, with the exception of the Principalities and the Priangan Regencies. A government decree in 1834 established the first regulation of the pawnshop tax farm,³⁰ setting out the terms and conditions for holding it in the areas under Dutch jurisdiction. The decree included general conditions for transactions, a standardized interest rate, a penalty rate, bookkeeping, and prohibition on selling opium and liquor in the pawnshops.³¹ In 1840 the pawnshop farm yielded approximately 205,800 guilders, which rose slowly to an average of 269,000 in 1850 and 350,300 guilders in 1860. In that year, 242 pawnshops were licensed, most of them in larger towns.³² In 1870, the government introduced a licence system that allowed those who could pay an annual fixed fee of 50 guilders to open a pawnshop subject to the permission of the local authorities. By introducing this policy, the government hoped to increase competition that would lead to lower interest rates, but it was doomed to disappointment. Although the number of pawnshops increased considerably, from 242 in 1869 to 989 in 1879, they were monopolized by Chinese *kongsis*, which often maintained a close relationship with the opium farms. Hence, the license system offered no benefits, and the government reintroduced the pawnshop tax farm in 1880, retaining it until the end of the century. After a preparatory process, the government pawnshop monopoly (*pandhuizenregie*) officially replaced the pawnshop tax farm in 1908 (Vellema 1893: 1564-92; Diehl 1993: 224).

The tobacco tax farm, which operated only in the districts of Banten, Batavia, Bogor, and Krawang, was introduced in 1817 and lasted until 1896. This tax farm was exceptional because in all other areas the business tax levied on tobacco sales. The edible bird's nest tax farm had existed since the VOC period in various areas in Java, including Banten, Jepara, Rembang, Yogyakarta and Solo, Gresik,

30 This *Besluit* is filed under catalogue number 18, archives of the 'Departement van Financien', ANRI Jakarta.

31 ANRI, Departement van Financien, 1838. "Perdjandjian beja roemah-roemah pegadejan".

32 Thomas (1893: 41-42); Vitalis (1992: 39-41), data on the yield amount of the pawnshop farm taken from Table 2 "Statistical Section" of this volume, pp. 81.

Pasuruan, Besuki and Probolinggo, Banjuwangi, and Kediri. The tax farm on forest products (*houtbosschen*) had existed in Banten and Krawang from the VOC era and lasted until 1862. The tax on the sale of palm sugar (*arensuiker*) was farmed out only in the Cianjur and Bandung districts in the Priangan Regencies, with its first annual revenue reported in 1834 and its last yield in 1863. This tax farm had finally given Chinese farmers access to the rural Priangan areas, which had been forbidden to them since 1824. The tax farm on tollgates and river crossings and the exploitation of small islands all yielded negligible revenues; the former lasted until 1915, while the latter – including a tax on exploitation of the Kepulauan Seribu (*Duizend Eilanden*) north of Batavia and the Bawean Islands – lasted until 1863 (de Waal 1865 IV: 455-57, 461-63; Diehl 1993: 227-229).

As did the opium farm, the small tax farms centred on Java, although their revenue was necessarily put in the shade by the opium farm. The *Koloniaal Verslag* (KV) of 1871 revealed that the total revenue from the small farms throughout the entire Netherlands Indies amounted to 1.3 million guilders in 1870. This sum increased to 1.66 million in 1880, then doubled to 3.03 million in 1890, and dropped back to 1.6 million in 1900 after some of the small tax farms had been abolished (KV 1881, 1891, 1901). Diehl has calculated, as presented in Table 3.1, that during the period 1836–1895 the total government revenue from non-opium tax farms was about 282.3 million guilders or 35.3 million guilders per decade. The following tax farms made the largest contribution throughout the period concerned: the slaughtering of cattle, pawnshop, Chinese gambling, the sale of liquors, and the slaughtering of pigs.

Table 3.2 shows that during the period of 1851–1900 among the small tax farms operated in Java, the slaughter of cattle contributed the biggest revenue to the government finances. The pawnshop and Chinese gambling were two other small farms that each yielded equally significant revenue. The pawnshop farm yielded its highest revenue in the period 1891–1900, collecting 10.8 million guilders, an increase of 1.8 million guilders from the period 1881–1890. Unlike the pawnshop farm, in the last decade of the nineteenth century the

Chinese gambling *pacht* yielded about 8 million guilders, which was slightly less than the yield of 1881–1890 that amounted to 9.3 million guilders, but it was still much higher than the average contribution from other small tax farms, like the *pacht* on the slaughter of pigs, liquor, and so forth that collected revenue below 2.5 million guilders per decade.

Table 3.2. The revenue of small tax farms in Java, 1851–1900 (in f 1000)

The small tax farms	Periods				
	1851–1860	1861–1870	1871–1880	1881–1890	1891–1900
Slaughtering cattle	4,948	6,487	8,055	11,197	14,108
Slaughtering pigs	1,204	716	521	591	546
Pawnshop	2,911	3,122	1,268	9,016	10,824
Liquors	1,741	2,247	1,882	1,059	1,764
Chinese Gambling	2,415	2,247	2,631	9,334	8,018
Other small tax farms	5,503	6,674	16,972	25,114	26,361
Total	18,722	21,493	31,329	56,311	61,621

Source: Mellegers (2004).

Another important fact was that the operation of several small tax farms closely connected to the opium farm. The Fokkens' Investigation of 1892, for example, disclosed that the opium farmers often held the tax farms on pawnshops, the slaughtering cattle and Chinese gambling. The pawnshop *pacht*, in particular, was reported to have opened up room for illegal opium distribution and for money lending-practices to expand to the village. Fokkens reports that in several places in Java, the Chinese *pachters* also ran a pawnshop outlet as a clandestine opium den. He then goes on to write that the pawnshop farms eventually became sinks of corruption and illicit money-lending practices.³³

33 NA/MvK, Verbaal 12-07-1892/61 (Inventory number 4837), fol. 115-25.

Conclusion

This chapter has reviewed general pattern of the revenue farming administration and its operation as part of the colonial extraction system in Java. This tax collection system was important to the colonial government not only as a source of revenue, but also because of its socio-political and administrative functions in the long transformation of the colonial taxation system and the consolidation of Java and the Outer Islands as parts of the territorial state of the Netherlands Indies. The early colonial reformers such as Daendels, Raffles and van der Cappelen retained revenue farming as part of their fiscal policy in Java during 'the colonial state formation period of 1800-1830' simply because it was the best system of tax collection, incurring minimal costs and requiring little administrative support.

In the wake of Java War, the colonial government found it necessary to reform the revenue farming system, which it did particularly by abolishing the market tax farm and other smaller tax farms in Central Java where these tax farms had emerged as factors that had contributed to the war. This reform marked the final phase of revenue farming during which its financial importance increased significantly. During the period 1830–1870, revenue farming and other taxes, particularly the land rent, complemented the financial success of the Cultivation System. After 1870, revenue farming was well and truly established as one of the most important fiscal institutions, contributing a large amount of revenue to the colonial state finances.

The revenue farming system included two categories of tax farms: the opium farm (*opiumpacht*) and the 'small means' (*kleine verpachte middelen*). The opium farm was introduced throughout the whole area under Dutch control, while some of the small tax farms were set up locally in various regions under different administrative arrangements. Throughout the nineteenth century, the opium farm was the most profitable, contributing the largest share of revenue to the state finances. The small tax farms provided additional revenue that was important to the running of the local administrations. Some

of the most important small tax farms were significant because they had a certain connection with the opium farm.

In general, the administration of revenue farming fitted in with the principle of the indirect rule adopted by the colonial state. This scheme allowed the elite Chinese businessmen to dominate the entire operation of revenue farming. They had the wealth, commercial networks, social connections, and the requisite knowledge of local culture and markets, to open door for them to win the government tax farm licences at the auctions and to operate them with the support of the indigenous bureaucratic elite (*priyayi*). The holding of a tax farm licence conferred various benefits on these Chinese tax farmers. Besides accruing financial profits, they were also exempt from the restrictive policy imposed by the *passen- en wijkenstelsel*. This allowed them to access rural areas where they could expand their business in their tax farm territories. But, all this came at a cost. In the long run, the dominant position of Chinese in revenue farming was considered to have had some unfortunate social consequences, notably corruption and the exploitation of indigenous people living in the farm areas.

Above all, from a fiscal point of view, revenue farming was a 'strategy' by which the Dutch colonial administrators did their best to deal with the indispensable economic position of the Chinese, exploiting them to extract revenues from existing potential sources. The next chapter will present an exploration of the operation of tax farms at a regional level and examine the socio-political effect they had on society and the colonial state administration in Java and elsewhere in the Archipelago.

— CHAPTER 4 —

CHARTING A ‘DOUBLE COLONIALISM’ IN JAVA: THE PRACTICE AND SOCIAL CONSEQUENCES OF REVENUE FARMING, 1850-1900

The operation of the revenue farming system in Java and elsewhere in the Archipelago had created a double layer of colonial tax administration. As a consequence of the system, the Dutch colonial administrators, the supreme power holders, shared their authority with a small number of Chinese tax farmers, who acted on behalf of the colonial state collecting taxes from the population. Although in the long run the financial benefit did accrue to the colonial government, this tax collection system created problems, not only for the colonial state but also for society at large. Evidence to support this assertion is strewn throughout the working of tax farming at a regional level in different parts of Java. Therefore at this stage, this chapter will explore the regional variations in the revenue farming practices and their consequences in different parts of Java.

Two related issues are discussed: regional variations in the administration and the yields of the tax farms, and the effects of the system on the local population that eventually justified the government

decision to abolish the system at the end of the nineteenth century. The main questions for which answers have to be sought are: Why did the *pachtstelsel* give rise to different financial contributions in different Residencies in Java? Why did the government eventually abolish the system? What went so wrong with the system that the colonial government found it necessary to abolish it? And what were the actual impacts of the system on the wider population in these regions? In an attempt to find an answer, the chapter will now focus principally on the biggest and most lucrative farm, opium; later it will continue with an analysis of the various small tax farms, namely those on pawnshops, slaughtering cattle and pigs, Chinese gambling and the sale of liquor.

The Opium Farm (*opiumpacht*)

During the period concerned, opium farm activities were concentrated in the central and eastern part of Java. These were densely populated regions where a substantial number of the Chinese population was engaged in the opium business and propagated the opium habit among an increasing number of indigenous populations.¹ The Residencies of Semarang, Surakarta, Kediri and Madiun were the four most lucrative opium areas and contributed far more revenue than did the other opium farm areas (Rush 1990: 28). Nevertheless, the administration of the opium farms was centred in the main cities of Java, particularly Batavia, Semarang and Surabaya, because these were where the wealthiest Chinese opium *pachters* lived and where from their headquarters they controlled the opium licences in the neighbouring Residencies. In the 1880s, for example, Chinese opium *pachters* in Semarang controlled the opium farm licences in the Principalities, while big Chinese tax farmers in Surabaya dominated the opium *pacht* licences in the opium areas in east Java (*Koloniaal Verslag*, hereafter KV 1889: 153).

1 Unlike in the Philippines, Siam or British Malaya where the Chinese were the exclusive consumers of opium (Skinner 1996), in Java significant number of indigenous population fell into the habit of opium smoking, although their consumption level was far less than that of the Chinese. The Chinese were still the primary users of the drug.

The magnitude of the opium distribution can be inferred from the annual opium decrees issued as the *Staatsblad van Nederlandsch-Indië* (SvNI). These documents show that of the about twenty opium farm areas (*pachtperceelen*) in Java and Madura, until the end of 1880s Semarang and Surabaya were the biggest and most important. To each opium area, the government allocated 24,000 *kati*² and 21,000 *kati* raw opium per year in the farm period 1875/1877 and 1881/1882. In the same period, the government opium allocation for Batavia was much smaller. This discrepancy had to do with the policy of declaring the Priangan Regencies, the closest neighbouring areas, as opium free areas, which naturally reduced the scale of opium market there. This commercial restriction was the reason the colonial government merged Batavia, Banten, Krawang and Lampung into one single farm area (Lohanda 2001: 227). Following this merger, the opium allocation in the united area increased from 400 *kati* per month in 1871 to 680 *kati* in 1881/1883.

Curiously enough, given the modest size of opium allocation from the government: 720 *kati* per month in 1870 and 1,500 *kati* in 1875/1877 and 1881/1883, the Principalities turned out to be the areas with the most opium outlets in Java. The total number of opium dens in Yogyakarta and Surakarta in 1870 was eighty-four and 195 units respectively, or 279 units in total; the equivalent to 41 per cent of the total of 681 opium outlets in the whole of Java in the same farm year. With a total population of about 1.5 million the ratio of opium outlet to population in these regions in 1870 was 1 : 2,200. In short, the intensity of the opium farm operation in the Principalities was high, and presumably there was a concomitantly high degree of opium consumption among local population. It is plausible that the fact that after 1820 the Javanese courts, now increased to four, engaged in generating revenue from the opium farm could have intensified the sale of opium in these regions (Carey 1984: 8-9).

2 1 *kati* is approximately 618 grams (Rush 1990: 259).

Table 4.1. Official allocation of raw opium per year and number of opium dens in Java and Madura, 1865 – 1881/1883 (in *kati* and unit)

Opium Farm areas	1865		1870		1875/77		1881/83	
	Total opium	Total Dens						
Batavia*	6,120	-	4,800	19	7,200	21	8,160	35
Semarang	5,076	-	5,160	40	24,000	52	24,000	52
Surabaya	11,400	-	5,400	29	21,600	32	21,600	44
Yogyakarta	2,700	-	2,760	84	6,000	93	6,000	93
Surakarta	7,200	-	5,880	195	12,000	121	18,000	146
Total Java	70,548	-	51,756	681	161,160	694	176,580	824

*) In 1870 the farm areas of Batavia included Banten and Lampung; 1880 included Banten and Krawang;

Source: *Staatsblad van Nederlandsch Indie (SvNI) 1864 No. 159, SvNI 1869 No. 82, SvNI 1875 No. 220, and SvNI 1881 No. 142.*

Although moral considerations and related ideas about reducing opium consumption had begun to hang over the business since the early 1870s (or even earlier perhaps), the colonial government was loath to reduce the extent of opium distribution in Java. Table 4.1 shows that the total amount of government opium increased about threefold from 51,756 *kati* in 1870 to 161,160 *kati* in 1875. Certainly this was partly linked to the shift in government policy to do with opium price control. It changed from a high cost policy to a low cost policy, in a response to the rampant smuggling. In its desperate attempts to counter the increasing influx of illegal opium, the colonial government surprisingly decided to sell its opium at a lower price in 1869, a decision that stimulated an increase in opium purchase. This measure had actually been introduced earlier in 1865, when the government made an attempt to stabilize the opium price that had been badly disrupted by the expanding circulation of illegal opium. However, a decade later, rising criticism of the increasing quantity of legal opium forced the government to reduce its opium supply to the opium farmers from the mid-1870s onwards (Diehl 1993: 212).

Opium smuggling was not a new phenomenon, it had been one of the biggest challenges confronting the government-sponsored opium farm since the early VOC monopoly period (Baud 1853; Vanvugt 1985). As a matter of course, the increasing scale of the opium smuggling strongly affected opium price on the markets, throwing a spanner in the government efforts to reduce opium consumption among the indigenous population.³ Faced with the fact that opium users could purchase illegal opium at a much cheaper price, the opium farmers and their *handlangers* (assistants or henchmen) were forced either to sell their legal opium at lower price than that set by the government or to participate in the opium black market. In his reply to the Opium Investigation, the Resident of Semarang, for example, reveals that in his territory an opium smuggler could sell opium per *mata* at one-third of the price set by the *pachters*. The upshot was that, in total, the opium smugglers could have been selling more opium (twice to triple the amount even) than the *pachters*. He goes on to say that the opium farmer often sold three times more opium than his official allocation in his efforts to compete with the smugglers.⁴ Of course, Semarang was not an isolated example. Although the statement did not necessarily apply to all opium farm areas in Java, similar situations could be found elsewhere. This information sheds light on why the colonial officials claimed that the sale of legal opium was only half or even one-third of the actual opium market in Java.⁵ The issue of opium smuggling will be discussed in more detail below.

3 Nederburgh, a member of Raad van Nederlandsch Indie, mentions smuggling as the most important factor influencing the real retail price of opium. Nederburgh, "Opium-Smokkelhandel; iets over een middel om zonder eenige kosten, verlies of winstderving voor de schatkist, en zonder eernstig bezwaar of gevaar, den opium-smokkelhandel op Java en Madura zeer belangrijk te verminderen" (s-Gravenhage: Martinus Nijhoff, 1889).

4 "Afschrift der opium rapport: Staat (en voorsteden) en Afdeeling Semarang", KITLV, H 422 (a), f. 1580, and 1598 (hereafter "Semarang opium rapport").

5 H.L.Ch. TeMechelen, "Opium-enquette rapport en andere stukken met betrekking tot de opium", KITLV, H 422 (a), f. 1259 (herewith "Opium enquette"). It should be noted that legal opium was also sold in illegal opium dens. Van Luijk and Van Ours (2001: 5) note that in 1890 there were an estimated 13,000 illegal opium shops and dens in Java, whereas the official number was only about 1,000.

In the matter of opium price, the colonial government initially granted opium farmers the freedom to set their own prices, particularly in the framework of what were known as the *tiban* and *siram* systems in 1834,⁶ leaving the government only to set a maximum daily purchase per consumer. These systems were widely criticized by the missionaries and independent liberal politicians, and eventually, in 1875, their protests forced the government to issue a new Opium Regulation. The new regulation stipulated that the local government was vested with the authority to determine the maximum retail price of prepared opium. In weighing up the matter, such a body had to take various factors, like local economic condition, the *koopkracht* or purchasing power of the population, the market size (number of opium consumers), the average production cost, and quality of the opium into consideration (*KV* 1886: 13). When it introduced this policy, the government had high hopes of being able to set the retail price of opium at a reasonably high level in, what proved to be, the vain hope that it would simultaneously reduce both the number of opium users and the level of opium consumption. In reality, the upshot was that the retail price of prepared opium was highly elastic and varied greatly from one single opium farm area to another (van Luijk and van Ours 2001: 5).

Table 4.2 shows that in 1870, for example, the highest opium price was to be had in the lucrative farm areas of Semarang, Banyumas and Yogyakarta in central Java and Pasuruan, Kediri and Madiun in east Java, where opium was priced at 20.50 to 29.50 guilders per *kati*, while the retail price per *mata* ranged between 0.22½ and 0.38 guilders. The lowest opium price that same year was reported from Cirebon and Madura, where government opium was sold at 11.30 and 11.75 guilders per *thail*⁷ and retailed at 0.23½ and 0.13½ guilders per *mata*. The set-up changed in the 1880s, when the inroads of an economic

6 The *tiban* and *siram* system was introduced in 1834 and lasted until 1872. Under the first system, the opium farmers were requested to buy a certain amount of opium from the government stores monthly at a fixed price. Under the latter system opium farmers were allowed to sell opium at their own price, which was usually higher than the purchase price they paid to the government (Souterwoude 1891: 16).

7 1 *thail* is approximately 100 *mata*, or 38 grams; 16 *thail* = 1 *kati* (Rush 1990: 259).

crisis began to have an impact on the purchasing power of the people and subsequently on the opium market. During the period 1880-1885, the overall opium price in Java and Madura decreased substantially to a level below than 20 guilders per *kati* on average (with 'the plantation belt' area of Pasuruan the only exception with 20.16 guilders). The difference in retail prices between farm areas in the same year was also smaller. The highest retail price per *mata* was more than 0.20 guilders, which found only in five farm areas: Yogyakarta and Kediri (f 0.20), Pasuruan (f 0.21), Banyumas (f 0.24) and Banten (f 0.27). In the other farm areas the retail opium price per *mata* ranged between 0.10–0.18 guilders (KV 1881).

Table 4.2. The official price of opium in Java and Madura, 1870-1885 (in guilders)

Opium Farm Areas	1870		1875		1880		1885	
	Per <i>thail</i>	Per <i>mata</i>						
Banten	24	0.30	20.16½	0.30	14	0.27	17.18	0.25
Batavia	12.50	0.29 ½	20.16½	0.30	14.80	0.18	16.18	0.20
Cirebon	11.30	0.23½	11.38½	0.15	10	0.15	12	0.20
Tegal	14.50	0.32½	15.70½	0.15	11	0.13½	12.27	0.13
Semarang	26	0.30	10	0.12	12.20	0.12	14.50	0.17½
Jepara	13.50	0.20	9.69½	0.13½	8	0.10	14	0.17
Surabaya	15	0.16½	11.75½	0.15½	12	0.15	12.40	0.14
Pasuruan	27	0.27½	26.85	0.26½	20.16	0.21	12	0.15
Probolinggo	14.50	0.24	13	0.16½	11	0.13	14	0.15
Banyumas	25.50	0.38	12	0.23	13	0.24	13.25½	0.23½
Kedu	16	0.32	13	0.25	14	0.08½	15	0.20
Yogyakarta	29.50	0.32	26.33	0.24½	12.50	0.20	15	0.20
Surakarta	20	0.25	9.25	0.12	10.74	0.13	14	0.16
Madiun	20.50	0.22½	17.33	0.18	10	0.12	16.50	0.25
Kediri	24.75	0.25	21.66	0.19	16	0.20	18.50	0.21
Madura	11.75	0.13½	12.90	0.13½	10	0.11½	12	0.13½

Source: KV 1871, 1876, 1881 and 1886; Souterwoude (1891: Bijlage B).

One of the consequences of the regional disparity in opium price was a difference in the annual revenue received by local governments. Since the farm year of 1860, the main opium farm regions, as among them Surabaya, Kediri, Madiun, and the Principalities, had collected roughly half a million guilders. One decade later, it was only the farm areas of Surakarta, Madiun and Kediri, which were in a position to contribute more than one million guilders in revenue. Even in 1880, when the economic crisis hit the agricultural market and cut the purchasing power of the peasant population, most of these areas still managed to keep up their positive revenue contributions, but the other opium farm areas could produce only stagnant or even decreasing revenue contributions. In the post-crisis years, the opium farm areas that contributed revenue of more than one million guilders were Semarang, Surabaya and Kediri only. Unsurprisingly, these farm areas were the most hotly contested in Java, and the big Chinese *kongsis* competed fiercely with each other to obtain the opium licence there.

From Table 4.3 it can be inferred that Kediri was the most lucrative farm area during the last two decades of the nineteenth century. Here the colonial government received 1.7 million guilders in 1890 and 2.1 million guilders in 1900. As a comparison, in the same years Semarang brought in 'only' 1.68 million and 1.7 million guilders. Since 1860, the opium revenue from Kediri farm area had shown a positive trend, with the exception of 1890 when the revenue was slightly lower than it had been in 1880. What made Kediri so profitable? Some plausible explanations have been put forward, including the size of the Chinese population, the number of opium users, and the role of the local opium *pachter*. Assuming that most of the opium users, as elsewhere in Java, were Chinese, it should be pointed out that the Chinese population in Kediri was quite substantial. As it grew rapidly from 5,245 in 1870 to 11,692 in 1900, its percentage in relation to the total local population was among the highest in Java.⁸ TeMechelen's Opium Report revealed

8 Total population of the Kediri Residency in 1870 was 571,980 consisting of 566,271 indigenous, 464 European, and 5,245 Chinese; while in 1900 the population of Kediri was 1,513,870 consisting of 1,499,438 indigenous, 2,737 Europeans, 11,692 Chinese, and 3 other Asians (*CEI* 11: 117, 133,137).

that the number of opium users in this Residency hovered around 26,003 people, most of them Chinese, a number considerably higher than in other regions in Java. No doubt part of the explanation is also the rooted in domination of the Kediri *kongsi* led by Han Liong Ing, the Chinese Lieutenant who had been in control of the farm area since the 1870s, and had become a primary partner of the colonial government in the area (Rush 1990: 176-77).

In the Principalities, there was a notable gap in the opium revenue between Yogyakarta and Surakarta. In the forty years between 1860 and 1900, the Surakarta opium farm appears to have been much more profitable than its Yogyakarta counterpart. On average, the local government of Surakarta received around one million guilders revenue, but in Yogyakarta the local government had to be content with an income from opium that remained stable at about 500,000 guilders per year, just half of the revenue of Surakarta. This gap is largely attributable to the difference in market size between the two areas, consisting of the factors of territorial size,⁹ population and opium users number. Another influential factor was the disparity in economic development; by 1880 Surakarta had already emerged as an important agricultural industry area where 172 private plantations cultivating cash crops like sugar, tobacco, indigo and coffee cultivation covered 213,630 hectares of land. In the same year, Yogyakarta had only fifty-three plantations exploiting 62,655 hectares area planted with the same crops (van den Haspel, 1985: 270-72). This economic divergence implies that population of Surakarta was more deeply involved in the export-oriented economy than that of Yogyakarta; a factor that might plausibly have influenced the welfare and purchasing power of the population in these two regions, including their opium consumption.

9 According to SvNI 1872, No. 43, the territory of the Yogyakarta Residency included *afdeeling* Kulonprogo, Mataram and Gunungkidul, while Surakarta Residency included *afdeeling* Boyolali, Sragen, Klaten, Surakarta and Wonogiri. In 1930, the Surakarta Residency consisted of *Kasunanan* area: 3,288.23 km² and *Mangkunegara* area: 2,750.67 km². In the same year, Residency Yogyakarta consisted of *Kasultanan* land: 3,023.43 km² and *Pakualaman* land: 145.42 km² (*Volkstelling* 1930 II:1; van den Haspel 1985, Bijlage 1).

Table 4.3. Opium revenue per Residency in Java and Madura, 1860-1900 (in guilders)

Residencies	1860	1870	1880	1890	1900
Banten	76,800	86,520	823,800*	875,835*	1,035,763.7*
Batavia & Lampung	535,400	896,520			
Krawang	54,600	-			
Cirebon	74,040	137,040	202,802	167,394	179,709.45
Tegal	159,600	201,600	555,120	350,496	285,330.7
Pekalongan	48,000	191,040	441,600	285,585	238,062.32
Semarang	553,200	733,200	1,608,000	1,682,512	1,707,749.5
Jepara	289,980	405,720	460,500	446,561	568,986
Rembang	303,600	570,000	743,220	856,556	712,356
Surabaya	730,080	816,720	1,305,600	1,340,425	-**
Pasuruan	114,000	300,120	514,200	512,884	-**
Probolinggo	31,200	101,400	219,900	229,016	-**
Besuki	21,612	93,720	140,502	164,851	-**
Banyumas	74,400	193,200	290,400	214,368	243,438.87
Bagelen	84,000	249,840	239,100	168,101	168,776.73
Kedu	120,000	413,040	533,220	298,864	387,688
Yogyakarta	272,400	664,840	663,120	300,371	388,552
Surakarta	444,000	1,010,400	1,207,500	734,085	1,339,260
Madiun	556,440	1,151,400	1,006,200	760,128	747,022
Kediri	456,000	1,032,000	1,794,000	1,728,376	2,124,298
Madura	61,536	192,360	194,760	177,271	-**
Java-Madura	5,100,888	9,440,640	12,943,002	11,293,679	9,970,873.30

Source: KV 1861, 1871, 1881, 1891 and 1902.

Note: *In 1880, *pachtperceel* Batavia included Banten and Krawang, while in 1890 and 1900 it included Krawang and Lampung. In 1890, Banten was declared as part of areas in which opium was forbidden (*verboden kringen*).

** From 1896, the government began to introduce the opium *regie* system in the Residencies: Surabaya, Pasuruan, Besuki, Probolinggo and Madura. No data for these areas was found in the farm year 1900.

By and large, the opium farms in the Principalities were governed by similar regulations to those applied to other areas under direct Dutch administration. As opium farm areas (*pachtperceelen*), the Yogyakarta and Surakarta farms were offered at public auction, differing not a whit from the other opium farm areas in Java and Madura. In the farm terms 1887/1889, for example, the opium farm licences in Yogyakarta and Surakarta were granted to one big *kongsi* from Semarang led by Ho Yam Lo, the *Kapitan* of Semarang. However, in the farm term of 1891/1893, the Yogyakarta opium farm licence was won by Ko Mo An, a local Chinese businessman who offered the highest bid amounting to 33,000 guilders per month.¹⁰ In the same farm years, the Surakarta opium farm licence fell into the hands of the rising tycoon Oei Tiong Ham and his sureties, Tjan Khe Bing and The Siok Lan. He also held three other farm areas, Semarang, Surabaya and Bagelen.¹¹

The only exception was that in the Principalities the operation of opium farm and other smaller tax farms, salt, pawnshop and the slaughter of cattle, had to be negotiated with the local princely rulers, and it would have been strange had the discussions not included revenue distribution (van den Haspel 1985: 111-12; Jonquiere 1912: 434, 436). A similar arrangement was also applied to other government taxes, income tax, property tax, personnel tax, stamp tax, transfer and the like. The only exception was land rent that was fully exempt in these regions (*ENI* 1917: 234-235).¹² The nub of the matter is, how much of the tax revenue collected the colonial government was transferred to the Javanese courts? Houben suggests that it was included in the annual subsidy that the government had allocated since 1830 to mitigate the

10 ANRI, Departement van Financiën (hereafter DvF), rapport Directeur van Financiën, 5 November 1892, No. 898.

11 ANRI, DvF, Bijlage rapport directeur van financiën, 29 September 1891, No. 15339.

12 The Principalities received fiscal immunity status for land rent, because Batavia recognized the traditional land ownership rights of the Javanese rulers. Secure in this recognition, the Javanese aristocracy families leased their lands to or co-operated with private interests (European as well Chinese), for example, in the development of sugar plantations, which became the most important source of income of the Javanese realms (Rouffaer 1931: 194-378).

declining fortunes of the Javanese courts and the aristocrat families that were part of them (Houben 1994: 172-75; 183-88).¹³

Another big challenge to the government-sponsored opium was the increasing power of the Chinese *pachters*, who accrued the lion's share of the opium profit during the period 1870–1890. Although government reports and official publications provide systematic statistics about the profits from opium farming throughout the entire colony (Java and the Outer Islands), they are very sparing in the information they give about the profits the opium farmers made from their farm areas. The distinctive traditional Chinese bookkeeping system and the secretive nature of the *kongsi* made it almost impossible for local colonial administrators to scrutinize the financial situation of the Chinese opium farmers properly (Vlemink 1925; Trocki 1999, 2002). Nevertheless, they believed that Chinese opium farmers could make profit twice or even treble the amount of the *pachtsom* that they transferred to the government exchequer.¹⁴ Whether their profits were exorbitant or not, some opium farmers failed to meet their obligations on time and faced the risk of legal penalties. This is what happened to Tio Siong Mo, the holder of Surakarta farm in 1874-1875, who failed to pay his opium *pachtsom* to the government. Consequently, he and his two guarantors were found guilty of breach of contract in court and sent to the jail. This kind of situation befell not only the small *kongsis*, big and strong *kongsis* could also face similar situations, particularly in the crisis years of 1880s when many opium farmers suffered a financial deficit. One prominent case was that of the Ho *kongsi* of Semarang under the leadership of Ho Tjiau Ing, Chinese Lieutenant of Semarang, who took it over from his deceased father Ho Yam Lo, in June 1888. The *kongsi* held five lucrative farm areas, Semarang, Yogyakarta, Kedu, Surakarta and Madiun. Nevertheless,

13 Houben notes that since the first years after the Java War, the Dutch found that Javanese realms had been in financial crises, largely because of expenditure on the palace maintenance, administration, festivities, and a myriad ritual. Moreover, the princes and other *priyayi* were also indebted to Chinese moneylenders, as they could not afford to keep up their extravagant life style. See also Soemardjan (1962), Sutherland (1979), and Soeratman (1989).

14 “Semarang Opium Rapport”, KITLV H 422 (a), f. 1598.

a year later in June 1889 the *kongsi* was declared bankrupt, when it agreed to a voluntary dissolution of its farm contracts (van Deventer 1891; Rush 1990: 186-88).

In the 1880s, Semarang was certainly the most important hub of opium farming in Java. The city had a large Chinese population and a host of opium users, and there were two very powerful Chinese opium partnerships or *kongsi*,¹⁵ the Be – Tan group and the Ho Yam Lo group. In the farm years 1887–1889, the Be – Tan group, led by Be Biau Tjoan and his brother Be Ik Sam, and their brothers-in-law Tan Tjong Hoay and Tan Tjong Thoen, held four opium farm areas, Batavia, Krawang, Banten and Bagelen. The second group, the rival of the first, was led by Ho Yam Lo and later by his son Ho Tjiauw Ing and it controlled five opium farms in Central Java, Semarang, Yogyakarta, Kedu, Surakarta and Madiun. The Ho Yam Lo *kongsi* was the only opium dealer in Java that cooperated with an Armenian family, the Andreas. Another powerful *kongsi* was the Han group, also known as “Kediri Kongsi” headed by Han Liong Ing, the Chinese Lieutenant of Kediri. The Kediri *kongsi* acquired licences to sell opium in Cirebon, Tegal, Pekalongan, Rembang and Jepara. This group also had close family ties with the Chinese *Kapitan* of Kediri Tan Kok Tan, who held Kediri opium farm, and also controlled the Besuki opium farm in conjunction with The Tjajj King. In short, securely anchored in their familial networks, these three *kongsis* dominated fourteen out of twenty opium farm areas in Java and Madura (Rush 1990: 96; Salmon 1991; 2004).

In the wake of the agricultural crisis of 1880, some big opium *pachters* found themselves in dire financial straits, and consequently failed to pay their obligatory fee so that they were forced to sue for bankruptcy. One of the notable cases was the fall in June 1889 of the

15 The word *kongsi* has wider meaning not only is it business partnership and does it denote other economic functions. In West Borneo and the Straits Settlements, for example, the word *kongsi* also meant a Chinese brotherhood, which took a variety of forms. One of the common features was ritual brotherhood using many of the rituals and symbols associated with ‘secret societies’, which provided the ‘cement’ to replace family and clan ties in the new lands. See Wong Tai Peng (1979: 102-5) and Mary Somers Heidhues (1993; 1996: 174-75).

Semarang-based *kongsi* led by Ho Tjiauw Ing that controlled five rich farms areas, Semarang, Yogyakarta, Kedu, Surakarta and Madiun (Liem Thian Joe 2004: 168-9). Soon after the dissolution of the Ho *kongsi*, on 23 July 1889, the colonial government held an auction in Semarang to select new opium farmers who were willing to take over the farm areas. This event turned out to be one of the most competitive auctions ever in the history of opium farm in Java, a real *peperangan diantara raja-raja* or ‘the battle of the kings’, and it was even recorded in a literary work. A local Chinese writer, Boen Sing Hoo, critically recounted the event in a satirical poem with the title *Boekoe Sair Binatang* (A Poem about Animals) published first in Semarang and later in Batavia in 1895.¹⁶

At this auction, at least forty participants and about seven big Chinese partnerships from different parts of Java were present to compete for opium licences in the four farm areas. Among the competing partnerships, two were from Semarang: the Be *kongsi* – the principal rival of the Ho *kongsi* – led by Be Biau Tjoan, honorary Major since 1873, and Liem Liong Hien, Major since 1885; and the Oei *kongsi* that headed by Oei Tjie Sien, founder the firm Kian Gwan, and his son, Oei Tiong Ham, appointed Lieutenant in 1886. Another two partnerships were from Batavia. The first group chaired by Loa Tiang Hoei, Batavia Captain since 1879 in partnership with the members, Oei Hok Tiang (honorary Captain in 1883), Kan Tjeng Sie, Tan Djien Soei, The Tik Goan, and so forth. The second group consisted of Tan Goan Pauw, Captain of Bogor in 1883, and two unidentified members. The last three other participants were a *kongsi* led by a tobacco dealer from Kedu, Kwee An Ki (Captain in 1878)

16 Complete title of the book is *Boekoe Sair Binatang: Landak, Koeda dan Sapi, terkarang dalem bahasa Melajoe Rendah* (Poem about animals: porcupines, horses and oxen, written in Low Malay). The reprint edition had an even longer title “*Sair Sindiran*” *tatkala lelang restantnya pacht madat tabon 1889 diantara meninggalnja Pachter “Hoo Ijam Loo” di Semarang. Tjerita “Gadjah Poetih Radja di Oetan”* (Satirical poem about the auction of the remnants of the opium farms after the death of the farmer Ho Ijam Lo in Semarang (Story of the white elephant, the king of the forest). Claudine Salmon (1991: 25-49) provides a thorough analysis of the poem. The English translation of the title and discussion of the opium auction process in this paragraph is taken from her article.

and Kwee Siang Ging (Lieutenants Ambarawa in 1878), the *kongsi* Magelang and the *kongsi* Yogyakarta led by Njo Gai Sing, a sugar businessman and a friend of Be Biauw Tjoan (Boen Sing Ho 1895 cited in Salmon 1991: 36-37).

The auction was organized under the supervision of the Resident of Semarang. After intense bidding,¹⁷ the auction produced the following result. The Oei *kongsi* won the Semarang farm area after making the highest bid at about 125,300 guilders, beating its main rival from Batavia led by Loa Tiang Hoe. The second farm area, Surakarta, fell into the hands of the Be *kongsi* with a bid worth 60,000 guilders, surpassing the bid of the Batavia-based *kongsi*. The less lucrative farm area of Yogyakarta was granted to a local contender Njo Gai Sing, who was supported by a rich Semarang-based Chinese, for the *pachtsom* of 30,630 guilders. The wife of Captain Kwee An Ki and the tobacco merchant from Kedu contested the last farm territory, Kedu. The latter succeeded in winning the opium licence after his bid amounted to 25,000 guilders could not be bettered by the first group that had lost the support from the Be partnership of Semarang. This time the two Batavian *kongsi* failed to gain any single opium farm and had to return to the capital empty-handed (Salmon 1991: 39-41).

The description of the auction paints a lively picture showing how the opium farm licences were scrambled for by a small number of Chinese elite from different parts of the island. The majority were wealthy businessmen who often held important position as Chinese local officers either captains, lieutenants or majors. The basic reasons the colonial government introduced the three-year term for the opium farm contract was to create competition in the opium farm system thereby circumventing any domination by certain Chinese figures or *kongsis*, thereby assuring the best partners for the task. If the Chinese farmers were to win an opium licence, it was essential they establish a partnership, often based on a family network. Kith and kin provided a foundation for making sure that the partnership members were trustworthy guarantors or sub-farmers. Once the licence was acquired,

17 There are several descriptions of the auction process in different cities of Java from the 1860s, 1870s and 1880s written by Europeans (Rush 1990: 31; and Salmon 1991: 29).

the selected opium *kongsis* could run it as a separate unit or subdivide it into smaller farm areas, each leased to a sub-farmer (*onderpachter*), creating a farm within a farm. In most cases, the relationship between the opium farmer and his sub-farmers followed the same working pattern as that between the farmer and the colonial government: the sub-farmers had to buy opium to be distributed in their territory from the opium farmer, transferring the agreed sum of money monthly to the farmer (Rush 1990: 50-51). It was reported that the opium farmer would usually take the steps necessary to ensure the loyalty of his sub-farmers, including hiring *jago* or thugs as bodyguards or spies. Such stand-over men were also useful in preventing the smuggling of illegal opium, a threat that could reduce the yield of their opium revenue from adjacent farm territories (Liem Thian Joe 2004: 171).¹⁸

The structure of an opium farm was unequivocally hierarchical, and in nature the relationship between opium farmer and his sub-farmers was that of a patron-client. The hierarchy was reinforced by the fact that most of the opium farmers in Batavia, Semarang, Surabaya and elsewhere held positions as Chinese officers and had seats in the Chinese Council. From this elevation, they could dispense political patronage, and if necessary protection and credit to support the work of sub-farmers and their smaller agents in retailing opium to the consumers. No wonder, some of those working as sub-farmers or opium agents and retailers were heavily dependent on their patron farmers. In this structure, the locally born Chinese elite (*peranakan*) held a strategic position and walked away with most of the profit. The majority of the *singkeh* or *totok*, the new arrivals from China, and the Javanese were condemned to hold the more menial positions and were often indebted to their *peranakan* patron (Skinner 1996: 80-81). Throughout the nineteenth century, these *cabang atas* or members of the Chinese opium farmer elite were one of the most recognizable centres of social patronage in Java. They built up and were

18 From the 1870s, many opium farmers complained about the increasing scale of opium smuggling that they viewed as a factor that influenced their ability to collect the targeted revenue to be paid to the government. They required stricter regulations to prevent smuggling. See, for example, bundled reports from the Resident of Rembang and Semarang to the Director of Finance dated 20 January 1871, ANRI, DvF, no. 3079.

consequently at the centre of the complex network of family liaisons, economic relations, ethnic and contractual obligation. They had close connections not only with the Dutch administrators but also with Javanese traditional patronage centres, the *priyayi* (Rush 1900: 96-7).

The growing socio-economic influence and wealth of the Chinese opium *pachters* after 1880, as shown by their suspiciously extravagant lifestyle, was a worry to many Dutch observers and administrators, who believed that the bulk of the profit from the opium distribution had found its way into the pockets of the Chinese opium dealers, providing some of the explanation of the government failure to control opium farms and eradicate opium smuggling. These Dutch worries were shored up by factual evidence after Fokkens had completed a government investigation into the economic position of the Chinese in 1894. In his report, Fokken reveals, for example, that the Chinese in Java in 1892 controlled 63 per cent of all private estates, 31 per cent of the buildings that were subject to the *verponding* tax, 18 per cent of the sugar-mills (sixteen) that operated under a government concession, 32 per cent of the timber concessions, to name just a few of their enterprises. Although proving their financial dominance, he could not turn up any evidence that these Chinese possessions owed their origins to opium profit. He did however note how important it was to the Chinese to hold an opium farm licence, because possession of that piece of paper made it possible for them to make profit from retailing opium, and also exempted them from the travel restriction policy, allowing them to access the rural hinterland areas to extend their businesses. On these grounds, Fokkens recommended the need for tax reform, his chief target being the abolition of tax farming system that was supported by the reinforcement of the policy of placing restrictions on the Chinese activities in the colony.¹⁹ The colonial government finally accepted this recommendation in 1896, and abolished the opium farm, a move gradually followed by the reform of other tax farms.

19 F. Fokkens, "Rapport betreffende het Onderzoek naar den Economische Toestand der Vreemde Oosterlingen op Java en Madoera en Voorstellen tot Verbetering". NA, Verbaal 17/4/1896 No. 27.

The Small Tax Farms (*kleine verpachte middelen*)

By the last decade of nineteenth century, colonial administrators had recognized the importance of small tax farms as sources of additional income for local administrators. The Chinese *pachters* too had discovered the importance of obtaining the licences of small tax farms, especially in the areas where they held opium farm licences for the simple reason that, by controlling the small tax farms, they would obtain the following benefits: they would secure additional income, protect their opium farm areas from outside intrusions and could extend their influence and business activities in that area. In a speech delivered at the *Indisch Genootschap* meeting in Batavia on 26 November 1889 in Batavia, ex-senior Resident Wijnen explained the connection between the opium farm and other tax farms:

‘...the whole tax farming system (*pachtstelsel*) has worked to form a chain of power in the hands of the Chinese. Initially the chain was constituted by the opium farm, from which all other farms emanated. In other words, once a consortium or partnership held an opium farm, it could gain control over the other smaller farms, and the *pachters* could do anything they liked with those farms for their profit’ (cited in Kielstra 1889: 11).

Fokkens’s 1894 investigation strengthened Wijnen’s assertion, presenting factual evidence from different parts of Java that unveiled the dominant role of the Chinese in the operation of the small tax farms. He reported that of about fifteen kinds of small tax farms, pawnshop, slaughtering cattle, gambling and liquor (before abolished in 1870) were among the most important in term of financial returns. The operation of these tax farms was closely interwoven with the opium farm. The pawnshop, in particular, was the business most closely associated with the opium farm, often operating as a ‘hidden’ outlet for illegal opium.²⁰ Along with the slaughter of cattle, the slaughter of pigs,

20 F. Fokkens, “Nota betreffende de vervanging door de directe collecte den wel eigen beheer van de op Java en Madoera voorkomende pachten der gewone of kleine middelen”, NA, Verbal 12/7/1894 no. 61.

liquor and the Chinese poll tax; pawnshop farms were introduced in all the Residencies of Java and Madura. Financially, taken as a whole these tax farms constituted more than two thirds of the total government revenue from the small tax farms during the period of 1860-1905.

Unlike the opium farm revenue that was subject to influence by market prices, government interventions and the economic circumstance of the population, the regional variations in the small tax farm revenue were simply caused by the uneven introduction of those small tax farms into all the Residencies of Java and Madura. Among these small tax farms, only those on slaughtering cattle and pigs and pawnshops were introduced into all twenty-four districts of Java and Madura. The other tax farms operated only in various districts, in which the taxable objects were available.

The fishery tax farm was levied until 1863 only in the coastal residencies of Batavia, Banten, Semarang, Jepara, Surabaya, Madura, Pasuruan, Probolinggo, Besuki, and Banyuwangi. The gambling tax farm was imposed until 1900 in Batavia, Semarang, Surabaya, and Madura, while the bridge toll tax farm and that on crossing rivers by ferries was levied in the regions where mainland transportation routes intersected with river transportations. Some other tax farms were introduced on such specific taxable products as edible bird's nests, tobacco and forest exploitation; or were levied on certain activities such as *wayang* performances in Batavia or on toll gates in the port cities of Batavia, Semarang and Surabaya.

The small tax farm on salt trading was a different story. In view of its growing economic importance, in 1814 Raffles converted the salt tax farm in Lampung and Madura into a government monopoly, which lasted for about fifteen years. At this time, in order to increase efficiency and revenue, on the initiative General Du Bus de Gisignies, the Dutch colonial government reinstated the salt farm in 1829. This policy only lasted until 1848, because the colonial officials discovered that the system was highly susceptible to fraud. After that, the government decided to take over all salt production and salt sales as its direct monopoly system. The salt farm was reported to be still in operation until 1920 in Bagan Si Api Api (North Sumatra), where Chinese

kongsis from Medan, Singapore and Penang could exert significant influence (De Waal 1865:255; ENI 1921: 865). The salt monopoly yielded 6.4 million guilders in 1870 and 8.6 million guilders in 1895 (Diehl 1993: 230).

A closer look at the government revenue from the small tax farms reveals that regional variations were not as high as the government revenue from the opium farms. Three Residencies: Batavia, Semarang, and Surabaya, were apparently the biggest contributors of revenue. This was not just because these regions all had a large populations and more taxpayers, they were subject to almost all the different kinds of small tax farms, hence collecting more revenue compared to other Residencies. Batavia was the only Residency in which the small tax farms continually contributed revenue of up to half million guilders throughout the period 1860 to 1900. As Lohanda has argued, to a certain degree this was a form of compensation for the local government that received 'only' modest opium revenue. This lack prompted them to concentrate their efforts on maximizing the tax revenue from other sectors through the various small tax farms, particularly pawnshops, slaughtering cattle, Chinese gambling, *wayang* performances, and the exploitation of *Kepulauan Seribu* or the Thousand Islands (Lohanda 2001: 228).

So far, statistical data have show that the pawnshop and the slaughter of cattle were the two most important small tax farms in Java, financially and socially as they were closely bound up with the opium farm. Hence, below is a detailed discussion of these two small tax farms.

Table 4.4. Revenue of the small tax farms per residency in Java and Madura, 1860-1905 (in guilders)

Residencies	1860	1870	1880	1890	1900	1905
Banten	94,536	45,672	33,180	21,048	11,724	7,386
Batavia	751,140	621,540	416,700	621,252	442,548	355,035
Buitenzorg	58,500	-	-	-	-	-
Krawang	31,656	24,360	25,836	12,432	5,106	-
Priangan	-	-	6,806	19,924	42,936	1,683
Cirebon	49,440	32,892	36,828	62,028	36,018	39,885
Tegal	53,280	40,056	21,048	114,144	63,918	-
Pekalongan	21,912	10,740	14,472	51,084	34,152	116,784
Semarang	167,460	97,380	166,860	256,800	176,520	232,710
Jepara	51,000	29,580	24,804	70,920	45,732	-
Rembang	74,400	52,500	56,004	180,157	113,160	96,900
Surabaya	350,676	226,668	274,428	589,092	317,856	304,395
Pasuruan	145,644	52,860	59,268	138,624	47,640	102,120
Probolinggo	76,176	38,220	36,204	59,736	33,024	-
Besuki	56,556	32,256	42,387	73,224	8,040	10,524
Banyuwangi	6,672	4,140	9,864	-	-	-
Banyumas	37,740	24,420	36,828	49,032	15,600	15,990
Bagelen	28,560	40,812	48,444	72,183	15,192	-
Kedu	49,260	56,520	59,556	96,660	23,256	85,777
Yogyakarta	24,720	65,352	43,920	78,228	36,852	50,004
Surakarta	49,020	104,400	80,580	79,320	27,672	38,664
Madiun	22,728	41,796	33,180	75,810	40,944	49,860
Pacitan	2,544	-	-			
Kediri	87,560	31,260	37,920	141,108	40,776	61,530
Madura	98,592	61,500	101,256	169,092	44,232	43,404
Total Java & Madura	2,339,772	1,734,924	1,666,301	3,031,898	1,622,928	1,612,651

Source: *Koloniaal Verslag*, various years.

Pawnshops. Among the small tax farms, that on pawnshops was perhaps the most important, on account of its strategic role in the capital market and the economic development of Java (van Zanden 2009: 199). The first pawnshop in Java was opened in Batavia in

1746 as a joint venture between the VOC and private businesses (van Westerrode 1902: 1). In 1794, the whole business was taken over by the Company, from which it passed to the Netherlands government in 1795 as part of all the other assets and liabilities of the Company. In 1809, Daendels set up the pawnshop business as a public service, but Raffles disapproved of this idea and allocated the pawnshop business to private initiative in 1812 (van Laanen, et.al. 1980: 41). After Dutch control of Java was restored in 1816, they reintroduced the farming system on pawnshops. It was only after 1831, the colonial government introduced a new regulation on pawnshops and extended it to the whole of Java in 1843.²¹ In principle, the purpose of this regulation was to discourage the escalation of unhealthy competition among the pawnshop farmers, by setting a fixed tariff, a standardized interest rate, fines and penalties, issuing guidelines for bookkeeping and administration, and prohibiting sales of opium and liquor in the pawnshops.²² The intention might have been good, but when push came to shove, the regulations were not strictly enforced. The greatest bugbear was the excessive interest rate that had been burdening the indigenous population, the main clients of pawnshops service.

Financially, the pawnshop tax farm was quite successful as the colonial government received growing revenues: 205,800 guilders in 1840, 269,000 guilders in 1850 and 350,300 guilders in 1860 when the licensed pawnshops numbered 242 (Thomas 1893: 41-42; Furnivall 1934: 1). But, in the eyes of some colonial observers, the susceptibility to fraud of pawnshop farm activities could have serious consequences. Vitalis, for example, condemned the institution of pawnshop as ‘a business of usury’ and the ‘immoral’ exploitation of the poor Javanese people, not to mention reaping profits from the stolen goods that were sold clandestinely to the pawnshops (Vitalis 1851: 376; reprinted in Fernando & Bulbeck 1992: 41).

21 This *besluit* is filed under catalogue number 18, archives of the ‘Departement van Financiën’, ANRI Jakarta.

22 “Perdjandjian beja roemah-roemah pegadejan”, ANRI, Departement van Financiën, 1838.

Responding to these concerns, Governor-General Rochussen initiated an enquiry into the working of the pawnshop farm in 1847. This enquiry was repeated in 1853 and completed in 1857. The inquiry produced some important points, which proved a flagrant general disregard of the regulations: the prescribed scale of rates was ignored, the forfeited pledges were regarded as the property of the pawn-brokers, and not infrequently the pawnshops were illicit opium dens as they were located close to the opium dens, plus the fact that they were in the same hands. The enquiry also found out that the pawnshop *pachters* often kept the pawned goods, and maintained a false bookkeeping system, which made it impossible for the government to make a proper audit and to scrutinize the whole operation of the pawnshops meticulously. On the basis of this investigation, the Minister of the Colonies, E. de Waal, proposed the abolition of the pawnshop *pacht* system in 1869, and this was effectuated by the Ordinance of 17 October 1869 (SvNI 1869 No. 85) (van Westerrode 1902: 4). This was the second policy put in place by the colonial government to reform a tax farm on the grounds of its susceptibility to fraud and abuse, to the first was that of the market tax farm in 1850.

In 1870, the colonial government introduced what was known as the licence system (*licentiestelsel*) to regulate pawnshops. Under this new system, the government gave those willing to pay an annual fixed fee of 50 guilders the chance to obtain licence to run a pawnshop from the head of the local authorities. The licensees also had the freedom to set an interest-rate based on yearly, monthly or even daily estimates. Through this policy, the government hoped to increase competition, which it was thought would lead to lower interest rates. But, this turned out to be Dead Sea fruit. The number of pawnshops in Java and Madura increased considerably from 242 in 1869 to 986 in 1878 and in the Outer Islands from 50 to 121, and the interest rate also rose accordingly to 10 per cent per month or more. Government revenue had dropped concomitantly from about 324,000 guilders in 1869 to 55,000 guilders in 1878. On page 165, the *Koloniaal Verslag* of 1879 states that: '*...het licenstiestelsel moreel zeer nadeelig en materieel niet voordelig is voor de bevolking*' (the licence system is morally very

detrimental to and materially unprofitable for the population). This statement referred to various facts emerging from the operation of the pawnshop licence system. For example the violation of a maximum interest-rate, the recurrent loss of the pawned goods, the increase in pawned stolen goods, the haphazard jumbling together of the shops and opium dens, unsystematic bookkeeping systems, and the lack of standardization in the valuation system and the storage of the pawned goods. By and large, the Dutch administrators believed that in terms of revenue the licence system was less profitable than the farming system. The licence system gave the licence-holders, who could multiply their pawnshop profits by the sale of opium or by money lending activities in the countryside, an advantage (Fokkens 1894, Furnivall 1934: 1).

Acknowledging the obvious disadvantages in the licence system, the colonial government decided to reintroduce the pawnshop farming system in 1880, by auctioning the licence to operate pawnshop on a territorial basis, and this was announced in the SvNI 1880 No. 17. The new pawnshop farming system was designed to prevent mutual competition between the shops and the *pachters*, to improve police supervision and to enforce a uniform scale of rates for loans and interest on pledges (Furnivall 1934:1). Among the primary provisions of the new regulation were: the *pachters* could give a loan of no more than 100 guilders on pledges of certain immovable goods; the shops number and their locations should be noted by local administrators in order to keep an eye on their proximity to opium dens; the pawnshops should be open from 7 a.m. until 6 p.m.; the pawnshop premises display a clear sign showing the word 'pawnshop' and post the list of official tariffs at visible locations inside the buildings (Fokkens 1894, fol. 39).²³

23 The new interest rates should apply on the following tariffs:

Loan	Rate of interest	Term of redemption
≤ 1 guilders	50 cent for a 10 day period	3 months
1 – 25 guilders	2 cents per guilders for a 10 day period	3 months
25 – 50 guilders	5% per month	6 months
50 – 75 guilders	4% per month	9 months
75 – 100 guilders	3% per months	12 months

The implementation of this new pawnshop regulation ran into trouble with the former Chinese licence holders, who were worried about losing their former profits and rejected the new pawnshop system out of hand. This undermined the pawnshop farming system in various Residencies in Java because none of the Chinese were interested in participating in the new system. In response to this, the government sent a circular letter to the heads of those Regencies requesting information about the reasons for the Chinese rejection. From the replies it received the government concluded that the Chinese rejection stemmed principally from an erroneous understanding of the conditions of the *pacht*, especially the auction of the unredeemed pawned-goods. The Chinese thought that the government decision to hold such an auction only once every half year could reduce their chances of making a profit on the pawned goods. But, the government stuck to its decision, and stood by the regulations that had actually been drafted to give the customers more chance to reclaim their pawned goods, and hence prevent the *pachters* from perpetrating any possible abuses against the loan contracts (van Westerrode 1902:9-10).

The operation of a pawnshop under the farming system, the Fokkens report claimed, was still ridden with fraudulent practices and abuses. Local administrators seemed powerless to control violations of the official interest rate, exemplified notably by what happened in Rembang where the revenue yielded rose from 30,000 guilders in 1881 to 53,081 guilders in 1890 (see Table 4.5). Those infringements were particularly rife in the regions where European administrators were indifferent, powerless or not concerned about the abusive practices adopted by pawnshop tax farms. Fokkens' data revealed that the Chinese *pachters* in those regions reaped the greatest profit from their pawnshop businesses (Fokkens 1894, fol. 40; Van Westerrode 1902: 47-48). Public criticism, which described and condemned the pawnshop farming system as 'een poel van ongerechtigheid' (*a sink of iniquity*), appeared in local mass media.²⁴

24 'Een poel van ongerechtigheid', *Javabode*, 18 April 1889. Another critical article was written by Kielstra, "De kleine verpachte middelen op Java", *De Gids*, Augustus 1889.

Table 4.5. Pawnshop revenue in several Regencies of Java and Madura, 1860-1900 (in guilders)

Regencies	1860	1869	1881	1885	1890	1895	1900
Banten	1,680	72	-	300	624	2,400	4,236
Batavia	24,000	3,540	5,400	66,240	193,812	348,895	325,104
Cirebon	10,320	9,360	6,152	30,576	30,408	24,708	30,540
Semarang	18,120	18,120	15,000	86,604	85,680	80,745	104,460
Rembang	18,060	18,120	30,000	31,440	53,081	30,720	48,120
Surabaya	121,260	107,820	36,720	189,900	251,304	224,640	175,284
Pasuruan	33,780	37,500	2,400	18,250	52,272	62,280	47,640
Yogyakarta	-	-	3,900	23,664	22,008	28,872	36,852
Surakarta	-	-	3,810	22,500	18,120	15,348	27,672
Madiun	2,436	18,180	3,900	18,000	30,150	12,300	39,372
Kediri	15,240	8,640	13,680	55,812	79,932	20,320	31,500
Madura	25,284	12,204	4,896	17,400	15,720	8,250	19,236
Total Java & Madura	350,328	323,798	230,480	781,740	1,058,683	1,086,6923	1,147,248

Source: *Koloniaal Verslag*, various years.

On paper, from a fiscal point of view, the pawnshop farming system was profitable. After collecting only 230,480 guilders from all over Java and Madura in the first year of its reintroduction (1881), the pawnshop revenue had jumped remarkably one decade later and was bringing in more than one million guilders. This sum was attributed to the success of the pawnshop administration in the three main towns in Java, Batavia, Semarang, and Surabaya. Pawnshop farms in Batavia, in particular, showed the most impressive increase of revenue from 5,400 guilders in 1881 to 325,104 guilders in 1900. There was a similar trend in Surabaya with 36,720 guilders in contributions in 1881, which increased to 175,284 guilders in 1900. In Semarang the pawnshop revenue increased at a slower rate. Interestingly, the pawnshop revenue from the Principalities was lower than the average revenue of other Residencies in Java and Madura. This was partially attributable to the special arrangement of the pawnshop farms in these two regions. Houben (1994: 188) notes that from the 1830s, the pawnshop in the

Principalities was introduced for the convenience of the courtiers. In Surakarta, for example, up to 1844, when it was abolished primarily because of the corruption, the *Sunan* of Surakarta and the Dutch government shared the pawnshop profit. It was re-opened in 1857, but lasted only until 1869 when Batavia decided to rescind the pawnshop licence system. It was only after the reintroduction of the pawnshop farming system the colonial government gained full control over the pawnshop in the Principalities.

The rejection of the pawnshop farming system by the Chinese in 1880 had given the government no option but to consider another option, namely direct administration or a government monopoly system. But, the Director of Finance, Michielsen, opposed the idea and put it in mothballs until almost a decade later, when Levyssohn Norman, a progressive senator, revived the issue in the Netherlands Parliament (*Tweede Kamer*) in 1889. The Department of Finance still opposed direct administration, chiefly on the grounds that, for lack of an honest staff, the government would have to pay too much to take over the goods on pawn, and would have to sell the forfeited pledges below their actual value (Vellema 1893: 1564-92; Furnivall 1934:2).

The question of the state administration of pawnshops resurfaced in 1894 after Fokkens completed his investigation into the economic conditions of the Chinese in Java and recommended that the opium and pawnshop farms be taken out of the hands of Chinese tax farmers. The Director of Finance, Van Dorsser, declared that the government had no objection to accepting the recommendations. Finally, the colonial government had to concede and consented to undertaking an experiment with a state monopoly pawnshop (*pandhuisregie*). In a decree dated 8 November 1900 no. 25, Assistant Resident De Wolff van Westerrode, who had already distinguished himself by his interest in the problem of indebtedness among Javanese, was assigned the special duty of conducting an enquiry into the mechanism of popular credit and asked 'to collect the data necessary to answer the question of what improvements could be introduced in the system of making small loans of money on the pledge of goods' (Westerrode 1902: 18). The result of this enquiry provided the basis for the formulation of the

system of government monopoly pawnshops to replace the farming system that was gradually abolished after 1904 (Furnivall 1934: 2).

Slaughtering cattle. The tax on slaughtering cattle had been farmed out mostly to the Chinese as early as 1817 all over Java and Madura, the Priangan Residency and the Gandasoli district of Krawang were the only exceptions. As part of the policy to keep the Chinese out of the regions, the local heads were lured with an incentive of 8 per cent commission to collect the tax on slaughtering cattle in these two areas. The three purposes of this levy were to curtail the consumption of beef, to curb cattle stealing and to ensure an adequate supply of draught animals, particularly at the height of the Cultivation System (Vitalis 1851: 365; Diehl 1993: 225). Generally speaking, the tax was levied on every healthy beast slaughtered either for individual use or commercial purposes. Slaughtering cattle for communal religious purposes, such as *slametan*, *muludan*, *idul adha*, was exempted from the tax.²⁵ The tax rate for slaughtering cattle changed time after time. Before 1850 the tax was 1.25 guilders for each cow, ox or buffalo and 0.80 guilders for each calf. After the abolition of the market tax farm in 1852, the tax was raised to two guilders and one guilder respectively, perhaps to compensate for the previous policy. In 1878, the slaughtering of horses was included with a tax rate of four guilders for each horse. In 1880, the tax on slaughtering all kinds of cattle increased again to three guilders, exported cattle to 1.5 guilders, and slaughtering calf remained at one guilder (Fokkens 1894, fol. 7).

In the last two decades of the nineteenth century, the cattle slaughtering tax farm emerged as one of the most important small tax farms, second only to pawnshops, contributing roughly one million guilders revenue per year from 1885. The biggest revenue contribution came from livestock breeding areas in eastern Java, such as Madura, Pasuruan, and Surabaya, where local governments received more than 100,000 guilders per year, as can be seen in Table 4.6. Fokkens reported that in 1892 in total 323,327 cows, 143,325 buffaloes, and 3,892 horses were slaughtered in Java and Madura for a number of

25 On these rituals see note no. 26 in Chapter 3.

different purposes. The slaughter yielded the colonial government tax revenue as high as 1.3 million guilders. Of this total, 60 per cent of the cows (192,233) were slaughtered in eastern Java, while 70 per cent of the buffaloes (97,508) were slaughtered in central Java (Fokkens 1894, folio 11).

Table 4.6. Government revenue from the tax farm of slaughtering cattle in various Residencies in Java and Madura, 1870-1895 (in guilders)

Residencies	1870	1875	1880	1885	1890	1895
Banten	34,320	26,440	16,920	11,280	12,000	16,320
Batavia	47,880	42,120	29,640	42,360	55,320	66,000
Cirebon	21,672	25,800	27,060	30,012	27,132	30,936
Semarang	59,160	36,000	72,120	120,000	102,000	96,120
Rembang	20,040	31,200	17,280	43,200	27,840	27,120
Surabaya	69,636	88,812	109,932	203,740	172,356	194,448
Pasuruan	48,960	55,440	58,536	136,080	85,320	92,520
Yogyakarta	51,840	56,400	43,200	60,120	55,320	63,360
Surakarta	63,000	132,240	79,200	103,200	60,000	86,520
Madiun	33,720	14,100	27,720	50,400	42,360	51,120
Kediri	18,240	6,840	32,400	61,200	53,280	89,160
Madura	56,076	107,040	100,800	139,560	120,120	138,132
Total Java & Madura	732,468	889,824	876,132	1,448,100	1,153,452	1,350,096

Source: *Koloniaal Verslag*, various years.

Besides offering itself to corruption, the cattle slaughtering tax farm eventually proved detrimental to and a real burden on the population. Vitalis, for example, using data he collected in the 1830s, states that this tax farm had created conditions that forced the peasants to hand over their cows or buffaloes unwillingly, and it also stimulated the cattle theft in the villages. He alleges that tax farmers and their sub-farmers often colluded with indigenous officials or the local police to hire in a band of thieves to procure cows or buffaloes cheaply. They resorted to this strategy because the villagers tended to keep and not sell their

cattle for various purposes. They were useful in transporting goods, cultivating rice-field, and represented a saving on the hoof as it were. The worst case of all, Vitalis mentions is one from Grobogan, where the Regent himself was the mastermind behind the cattle stealing in his area. Having obtained them, he sold or rented the cattle back to the peasants under certain conditions and at various rates (Vitalis 1851: 372).

Like that of the pawnshops, the operation of the cattle slaughtering tax farm also had certain ties with the opium farm. The *Koloniaal Verslag* of 1875, reported: “an opium tax farmer will attempt to acquire other tax farms, at almost any price, fearing that a competitor *kongsi* might obtain several small tax farms in the same Residency and hence, through its many agents, run an opium smuggling ring.... when, therefore, in 1875 an excessively high bid was received for the slaughter farm in Surakarta, reason was found not to award the farm to the highest bidder, but to the existing opium farmer at the previous lower fee” (cited by Diehl 1993: 225). Fokkens’ investigation turned up yet more evidence of this practice showing that the cattle slaughtering tax farm was often in the hands of Chinese opium *pachters*, ensuring a close connection to opium sales and opium smuggling. In every district capital or even sub-districts centres, the Chinese *pachter* hired Javanese spies (mostly thugs) to ensure no clandestine slaughtering took place in his farm area. The assistance of local indigenous officials and village heads was required only on special occasions or for specific purposes, such as to explain the tax regulations and mobilize the population to pay the tax. Only in the Principalities, did the *pachters* allocate 10 per cent of the gross revenue they collected to the district-heads (*panewoe*) as a reward for their help in monitoring the slaughtering of every head of cattle in their territories. The Chinese tax farmers here also employed the village clerks (*dessaschrijvers*) to do the bookkeeping of the tax collected, offering them a reward of 0.25 guilders for each animal slaughtered (Fokkens 1894: fol. 9).

Under the rules of the cattle slaughtering tax farm, all those slaughtering animals needed a letter of permission from the authorities, and this required following a certain administrative procedure. The

letter had to contain information about resident's identity, proof of ownership of the cattle, the condition of the cattle, a declaration that there was no objection to the slaughter, and of the approval of the local administrators (from village heads up to *wedana* – district head – or his assistants). Only with this letter, could a person approach the butcher (or *lebe'* in Priangan)²⁶ to slaughter his cattle, naturally after having paid the required tax to the Chinese *pachter*. The tax included a levy on the sale of the hide and was paid in cash at the same time as the letter of permission was submitted. This letter was valid for fourteen days and the cattle could only be slaughtered during this time-slot after two witnesses had been brought along. Any slaughter of cattle without permission from the local authorities was illegal, and punishable by confiscation of the animals and a cash penalty (Fokkens 1984: fol. 11-12).

The indigenous officials and Chinese tax farmers often abused this 'bureaucratic procedure'. For instance, by demanding an additional fee from the applicants or giving false information about an animal in order to force the owner to sell it at a cheaper price. This also happened if the cattle were stolen; instead of reporting the theft to the police, the Chinese tax farmer and his partners made use of the opportunity to squeeze a few extra guilders over and above the tariff (Vitalis 1992:37). To combat these abuses, the government officially abolished the slaughtering tax farm in 1898, but retained the tax under a new state directed tax system, which lasted until 1922 when the colonial government abolished the tax in the colony completely.

The inference to be drawn from the examples of the pawnshops and the slaughter of cattle tax farms chosen, is that the importance of small tax farms in Java and Madura often lay in their links to the opium farm. It was obvious that in the eyes of the colonial government and of the local indigenous bureaucrats, the small tax farms were a

26 In the Priangan Residencies, where a state directed tax on slaughtering cattle was introduced, the slaughtering of cattle done by an official butcher called *lebe'*, a person who had knowledge about how to slaughter cattle according to Islamic prescriptions. He would receive f 0.10 for each beast he killed. *Camat* or *Wedana* issued the letter of permission for slaughtering cattle in this region.

complement to the financial revenue they were already receiving from the opium farm. The opium tax farmers were convinced of the efficacy of obtaining the licences for the small tax farms to secure their opium farms, and in their efforts to do so they also extended their business in the farm areas. The next section explores the social consequences of the opium farm and of the small tax farms on the (indigenous) population in Java and Madura.

The Socio-Political Impacts of The *Pachtstelsel*

Since the mid-1850s, the Europeans had begun to pay more attention to the social impacts of the tax farming system on the indigenous population. Vitalis was perhaps the first observer to disclose the exploitative nature of the tax farming system.²⁷ His article, published in the *Tijdschrift voor Nederlands Indië* (TNI) in 1851, criticized the operation of three tax farms: the market tax farm, the cattle slaughter tax farm, and the pawnshop tax farm; and made no bones about the role of the Chinese in the tax collection system. The article drew even more attention from the public at large; when in his speech in the Dutch Parliament the Minister of Colonies, Pieter Mijer, addressed the issue of the Chinese role in the exploitation of the indigenous population in the colony. The Minister irritably referred to the Chinese as “*de bloedzuigers der Javaanen*” (the bloodsuckers of the Javanese), and warned of the threat they presented by saying: “*het gevaarlijke, om die vreemdelingen onvoorwaardelijk in de binnenlanden*

27 The article is entitled “Over de pachten in het algemeen, de onzedelijkheid van sommige, en de verdrukking waaraan de overmatige misbruiken van andere Javaansche bevolking blootstellen”, TNI, vol 13 (1851), No. 2, p. 365-86. In their introduction to this article, Fernando & Bulbeck (1992:26) give a biographical note on Vitalis. Vitalis came to Java for the first time in 1820. He served initially as a *controleur* and later as inspector of cultivation following the introduction of the Cultivation System. After having retired in the 1830s, he began to do business as a sugar manufacturer on the north coast of Java. His experience as colonial official allowed him to build up a considerable understanding of conditions in Java. According to Fernando & Bulbeck, Vitalis was a loyal supporter of the Cultivation System, but he was very critical of the nineteenth-century colonial policies. He wrote many articles and books, some of them about the Chinese economic activities in colonial Java.

toe te laten" (It is dangerous, to allow these foreigners to enter the rural areas unconditionally).²⁸ He attributed their growing influence to the rising number of Chinese who had been engaged in the Javanese sugar industry since 1840. Colonial officials on the spot had been reporting the recurrent maltreatment of the population there. J. C. Baud, a former Minister of Colonies, put the Minister's statement into wider context by pointing the Chinese role as opium *pachters* that, he was convinced, could: "*ons staatkundig bestaan in Nederlandsche Indië in gevaar brengen*" (put our political position in the Netherlands Indies in peril). He argued that although they were in charge of a great deal of the sugar manufacture, the Chinese were exploiting only a limited area, but by controlling opium farm their influence spread to much wider areas as many as three to four Residencies, where they were free to extend their control over local population and economy.²⁹

These statements marked a new development in Dutch colonial policy in the Netherlands Indies. This 'anti-Chinese' sentiment arose just at the time concern was mounting about the living conditions of indigenous population, pinpointing a changing perception about their colonial policy by the Dutch statesmen. Moral considerations began to impinge on the making of colonial policies and these fostered the idea of giving indigenous people more protection from any kind of exploitation. Hence, in its administration of tax farming, the colonial government was now required to minimize the negative effects of this tax collection system on the lives of indigenous people, the villain of the piece being the opium farm. What was to become known as the opium question (*opiumkwestie*), emerged as a matter of public concern that had begun to question the justification of the colonial fiscal policies of profiting from opium sales and granting opium farm licences, mostly to the private Chinese businessmen. This opium discourse continued until the end of nineteenth century and gradually involved more

28 "Sedert wanneer is het gouvernement zoo anti-Chinees worden?" *TNI*, vol. 1, 1857, p. 169-171.

29 As a solution, Baud required the colonial government to expel the Chinese from the opium tax system. See his view in "Zullen nu de Chinezen van de opiumpacht worden uitgesloten?" *TNI*, vol. 2, 1857, p. 60-61. His main idea was taken from his previous lengthy article about opium (1853: 79-220).

parties in the debate: missionaries, journalist, politicians and even writers (Salmon 1991: 25).³⁰

In response to this rising public disapproval of the revenue farming system, the colonial government conducted several investigations in the 1880s and 1890s first to find out what was really happening in the field, and to construct a factual basis on which to base the reforms necessary to improve the system. The first enquiry was carried out in 1887–1888 under the chairmanship of Charles TeMechelen. Its brief was to examine the effect of opium consumption and the pattern and scale of the opium black market in Java. Another enquiry implemented in 1892–1893 under direction of F. Fokkens collecting factual evidence about the operation of the small tax farms (*kleinepachten*). In 1894, Fokkens carried out research on a larger scale into the economic position of the Chinese and other Foreign Asians in Java and Madura. These investigations bore fruit in several reports containing detailed information, including statistics about the performance of the tax farming system in various places in Java and Madura. The following paragraphs contain a distillation of some of the relevant information from those reports to illustrate the effects of the *pachtstelsel* on the living conditions of the Javanese population.

Van Souterwoude (1890: 36-50), an anti-opium activist, argued that the opium farm lay at the root of at least eight problems that were having a disastrous effect on society. *Firstly*, the opium farm did nothing to reduce opium consumption. *Secondly*, the colonial government had also failed to get on top of the opium smuggling, and this failure undermined all attempts to control the distribution of opium. *Thirdly*, the upshot was that increasing number of the local population had simply become more addicted causing a decline a welfare, and increases in indebtedness, and criminality. *Fourthly*, the influence of opium *pachters* far outweighed that of the local officials

30 Among the latter, the most important were M. H. Perelaer, who wrote a political novel called 'Baboe Dalima' (Dalima the Nanny, 1886), and Dr. Isaac Groneman, who wrote a less ambitious novel entitled *Een Ketjoegeschiedenis* (A Bandit's tale 1887). The novels had a considerable impact, particularly the first that was translated into English in 1888. They attacked the opium farm as a 'scandalous' system, in which the Chinese farmers and their agents were described as villains exploiting the Javanese.

and police. *Fifthly*, in some cases, the *pachters* were also closely linked to the European officials hence efforts to reduce their influence often insulted local Dutch administrators. *Sixthly*, using their monopoly licence as a cover, the opium *pachters* could conceal their involvement in such illegal activities as opium smuggling. *Seventhly*, government officials were very ill informed about the working of opium farm, for example, they did not know the number of illegal opium dens or the identity of the opium smokers in their areas. *Eighthly*, the government officials also had difficulty in gaining the direct financial control that would allow them to force the opium *pachters* to pay their revenue obligations, to assess the credibility of the *pachters* and their guarantors, to prevent the *pachters* from withdrawing their assets if they went bankrupt, and to ensure the *pachters* paid their debts at the end of their term. Given its nature as a pamphlet, it is possible that Souterwoude's work might conceal certain political motives and subjectivities, but he did not pluck it out of thin air, it had a basis in factual evidence, and is a useful source of information about the effects of revenue farming in Java.

The increase in opium consumption. The rising number of consumers was perhaps the biggest issue bedevilling the opium farm system in the Netherlands Indies. Unlike other countries in Southeast Asia, in Java opium consumption was not confined to Chinese, an increasing number of the indigenous population also smoked this commodity. Many observers argued that the efforts of the colonial government to reduce opium consumption amounted almost a 'mission impossible', because opium smoking – the most popular way of consuming opium – had been a popular habit in Java for centuries. Importantly, it was not the intention of the colonial government to eradicate the opium smoking habit. It was eager to retain and profit from it financially (Rush 1990, Trocki 1999). As a matter of fact, until the end of nineteenth century the quantity of the government opium supply to Java had increased many times, and law enforcement measures to combat the opium black market was very weak. Apart from the financial aspects, data about the actual scale of opium consumption and the number of opium users were also limited. The *Koloniaal*

Verslag, for example, provides very little information about this. The increase in opium consumption in Java has to be inferred, for example, from the rise in the supply of opium, the number of opium dens and the amount of opium revenue up to the end of nineteenth century. The Chinese migration wave since 1870 cannot of course be overlooked as a contributory factor to the rise of opium consumption in Java, but this does not dislodge the increasing number of Javanese opium smokers as the most important factor (Brooshooft 1888: 155).

It was only in the 1880s, the colonial government began systematically to collect information about opium consumption and the method it chose was to conduct an opium survey throughout the whole of Java and Madura. Under the auspices of the Director of finance and Internal Affairs (*Binnenlands Bestuur*), in 1882 the colonial government requested the local Dutch administrators to make a survey of opium consumption in their areas. The report, written by Charles TeMechelen, Assistant-Resident of Juana district in Jepara Residency, was apparently the most comprehensive,³¹ and it did shed some light on the situation of opium users, particularly in central Java. In his report, dated 1882, TeMechelen report reveals that opium users in the regions of Jepara and Semarang could be categorized into four groups: *first*, users who consumed more than 20 *mata* opium per day; *second*, users consuming less than 20 *mata* opium per day; *three*, users consuming 2 to 5 *mata* opium per day; and *fourth*, those who consumed opium only occasionally. The first group consisted of Chinese and rich Javanese, the majority of whom lived in the principal towns. They were opium addicts who consumed opium as a recreational drug. The second group consisted of less-addicted indigenous people and a few Chinese who had also settled in the towns. The last two groups were mostly ordinary indigenous people living in rural areas. Petty-traders, workers, travellers and those attended *wayang* performances, including gamelan players, *wayang* and *topeng*

31 Charles TeMechelen, "Opium rapport, staat (en voorsteden) en Afdeeling Semarang", KITLV, H 422 (a), fol. 1555. In Semarang, as reported by local Resident, opium smokers were Chinese and such Javanese working people as traders, craftsmen, and labourers, and a few peasants. Only a few Arabs and Eurasians smoked opium.

performers, were the most frequent opium users among this group. Only a very few peasants were noted as being opium users.³²

In a more complete report, TeMechelen revealed that in 1888, 977,537 people in total were registered as active opium users in Java and Madura. Of this number, 812 opium smokers consumed more than 20 *mata* per day, 748,603 others smoked opium maximum up to 20 *mata* opium per day, and the remaining 228,122 persons only consumed opium occasionally (2 to 5 *mata* opium per day).³³ This was a very small percentage of the total indigenous population 19,303,667 (excluding Europeans), only about 5 per cent in fact. The geographical distribution of these opium users is shown in Table 4.7. Surakarta had the biggest concentration of opium users in Java. In this city there were more than 300,000 opium smokers, although most of them were grouped under category less-addictive smokers (288,934 people). Semarang was the city in Java that had the highest number of addicted opium smokers, 452 people. The remaining cities in Java had fewer than one hundred people categorized as addicted opium smokers. On account of some technical difficulties encountered in collecting the data, acknowledge by TeMechelen himself, the number presented in this report might very well be lower than the actual scale. The idea of registering the opium users was only attained after the introduction of the state monopoly system or *opiumregie* in 1894 (Haak 1889: 99).

32 Charles TeMechelen's report impressed Batavia, perhaps the reason for his later appointment as chief coordinator of the anti-opium smuggling commission on 9 July 1885. This position allowed him to collect more data, which he compiled in his "Rapport Uitgebracht in Voldoening aan 's Gouvernement Besluit d.d. 9 Juli 1885". The report was catalogued under title KITLV, H 422 (a-c) and NA Verbaal 22/8/1888 No. 6. Rush (1990: 159) calls him 'the Opium Czar of Java'.

33 Charles TeMechelen, "Rapport Uitgebract ...", p. 80-6. In his investigation, he found out that an addicted Javanese people in a *desa* who earned f 0.25 per day could spend f 0.20 per day to buy *tikke* or *candu*, for which they got no more than 5 or 2 *mata* opium. Information from selling places confirmed his findings. However, opium-den owners in *desa* explained that only a few spent f 0.20 per head per day on opium. A special regulation was applied for consuming more than 20 *mata* opium per day, for example, to celebrate a special occasion.

Table 4.7. Opium consumption in Java and Madura in 1882/1883

Residency	Population	Number of opium addicts*			Number of opium smokers from each category		
		More than 20 <i>mata</i> per day	Less than 20 <i>mata</i> per day	Only occasio-nal	More than 20 <i>mata</i> per day**	Less than 20 <i>mata</i> per day	Only occasio-nal
Banten	545,618	-	71	-	-	7,884	-
Batavia	1,043,622	64	5,754	496		48,621	3,988
Krawang	331,453	-	224	215		2,202	2,048
Cirebon	1,368,262	2	612	21		5,655	248
Tegal	1,005,799	7	1,139	511		26,334	11,492
Pekalongan	538,412	12	862	577		9,448	6,318
Semarang	1,407,114	452	22,390	13,216		33,585	19,295
Kedu	739,582	3	705	428		27,996	16,354
Bagelen	1,271,932	2	1,148	655		44,577	24,543
Banyumas	1,111,439	7	540	502		16,691	15,286
Surakarta	1,068,555	36	29,453	4,150		288,934	28,929
Yogyakarta	640,780	20	1,044	349		14,616	5,458
Madiun	1,021,315	1	4,642	1,808		67,123	24,426
Kediri	977,979	5	2,145	2,608		14,350	9,045
Jepara	857,444	13	1,719	521		21,608	6,387
Rembang	1,195,725	10	2,156	2,004		34,714	35,780
Surabaya	1,882,500	66	8,688	3,456		29,626	11,612
Pasuruan	837,493	44	807	181		1,476	534
Probolinggo	504,859	10	323	61		3,298	1,541
Besuki	590,890	3	341	132		5,575	2,139
Madura	1,402,894	35	1,302	519		4,205	1,671
Total	19,303,667	742	85,765	30,345	831	743,603	228,122

Source: Charles TeMechelen, "Mijn Opium Enquette Rapport 1888", KITLV, H 422 (a), fol. 1450.

Note: *The term addicts refers to 'gebruikers' in the original, smokers to 'schuivers'
 **Data in this column was raised by 5% in the original source from those in Column 2.

Opium addiction and diminishing public welfare. Proponents of the anti-opium campaign were convinced that in the long run opium intake impacted negatively on the users' health and affected their economic productivity (Souterwoude 1890: 28). They championed this idea to counter the popular habit among ordinary Javanese people of using opium mainly as remedy for certain illnesses, as a painkiller in the case of injuries, or as an energy booster. For the latter purpose, the *koeli* or peasants would smoke opium before commencing their work in the hope that they would be able to work longer and faster, and when they were overcome by exhaustion they would smoke opium to revive their energy. In other words, they smoked opium for a productive purpose, in contrast to the wealthy people who smoked opium for leisure.³⁴ However, TeMechelen claimed that this was not the real issue at stake, because the number of opium addicts, who were mostly Chinese, was still very small. The government concern was that over a longer period of time more Javanese people would become addicted to or enslaved by opium, and that more opium users from the third category (those consuming opium occasionally or 2 to 5 *mata* per day) would be ripe for the second category (less addicted people consuming up to 20 *mata* per day). In view of the impoverished economic conditions of the Javanese people, it was believed that opium addiction would be disastrous to the household economy of the Javanese (TeMechelen 1888: fol. 1286-87).

This begs the question, was the opium consumption among Javanese population really diminishing their welfare? TeMechelen had to admit that the opium survey did not come up with a satisfactory answer to this question. Despite the fact that this question was not applicable to those consuming opium occasionally, playing Devil's advocate, TeMechelen argued that there were many factors that could have combined to affect the diminishing welfare of Javanese society, squandering money on opium was just one of them. Disparities in economic and geographical conditions, the fertility of the land and the amount of water available for irrigation, trading networks, industry,

34 Extracted from the TeMechelen Report, KITLV, 422 (c). Cited also by Rush (1990: 34-35).

and the like were among the factors he listed. TeMechelen was not convinced that there was a direct connection between the number of opium users in a certain Residency and the economic welfare of its population. Rembang, for example, was a poor Residency but the number of opium users, in the second and third categories, was quite high; but were the question directed to opium users from the second category, the answer was no. Using information from opium den-keepers in the 1880s, TeMechelen believed that the Javanese, who had an income more than 0.20 guilders a day to spend on opium, were very few and far between. His argument is quite understandable as the average income of the ordinary Javanese was not much higher than that amount. Dros, *et.al* (1992) have calculated that in 1893 the daily wages of coolies, the unskilled labour force, in various Residencies in Java ranged from 16 to 60 cents; while the daily wage of a skilled labourer (carpenter, bricklayer, and *mandoor* (overseer) in most parts of Java ranged between 40 cents to one guilder depending on the local economy (CEI 13 1992: 54).³⁵

In some cases, as was revealed in seventy-nine interviews conducted in 1890 with opium smokers in Bojonegoro, Rembang, Malang and Jember, the daily amount spent on opium was relatively high, up to one guilder (in one or two cases), although most admitted spending 20 cents a day on opium. This amount of money purchased them 2–3 *mata* of prepared opium. In the case of a heavily addicted opium smoker, TeMechelen found out that in Semarang such opium smoker could spend 20 cents out of 25 cents of his total earnings per day to buy *tike* or *candu*, but such cases were rare (TeMechelen 1888: fol. 1567). Another study investigating the household budget of a Javanese peasant family in *Kemiri*, central Java in 1886, confirmed TeMechelen's findings that only very few Javanese peasants acknowledged the purchase of opium spending as one of their routine expenses.³⁶

35 Interestingly, this calculation was not much different to the wage standard in the 1850s. As shown in *Koloniaal Verslag* 1851 (p.218) an unskilled labor in Java earned, on average, 25 cents a day (more in some areas), and a skilled labourer could earn 60 cents to 2 guilders depending on the local economy (cited also by Rush 1990: 32).

36 This study monitored the budget of a peasant family in this region within a year, from January until December 1886. Among the fourteen items of expenditure mentioned

Criminality and social unrest. Another issue raised by the colonial government in the opium survey was the connection between opium consumption and public order or safety. The matter was to what extent did the increase in opium consumption lead to an increase in criminality and social unrest. Did opium users commit certain crimes, such as theft and robbery, to assuage their opium hunger? To answer this question, TeMechelen compared the statistics of criminality – theft in particular – between the opium free areas and the opium farm areas, taking account of their percentage of the total population. The result again showed that there was no significant difference between the two areas, implying that there was no general pattern of causal connection between opium consumption and criminality. However, at a personal level, using data from police department TeMechelen found out that of about 135 persons who had committed crimes and had been sent to jail in 1883, 120 admitted that they were frequent opium users (but the consumption level was unspecified) (TeMechelen 1888: fol.1295-96).

In its investigation into social unrest, the opium report did not mention any types of massive or collective actions of the Javanese or other indigenous groups that can be categorized as social unrest. The series of *Koloniaal Verslag* after 1850 also hardly ever contains reports of popular protests directed against opium farms in the colony. This might surprise some historians, Indonesian ones in particular, because in his pioneering works (1966, 1973), Sartono Kartodirdjo has depicted nineteenth century Java as a land embroiled in an age of protest and resistance, in which taxes were among the important sources of conflict. Some possible explanations can be adduced to explain this ambiguity. The Javanese neither saw nor felt that opium farms, nor any other tax farms for that matter, as exploitation. The indirect nature of this tax collection system could be a partial explanation for their attitude. Importantly the opium tax farm was levied on the consumption of a small group of the population, and the intersection between tax collectors and taxpayers was mediated through third parties. Finally,

in a year, there is hardly any mention of opium as part of the family expenditure. See Arminius, "Het budget van een Javaanschen landbouwer", *Indische Gids*, 2 B, (1889, p. 1685-1720).

the involvement of local officials and the stand-over tactics of hired villains precluded the Javanese any chance of giving voice to protest the opium farm system.

Despite such attempts to muzzle any protest, there were two large-scale riots related to the competition of opium farms, in Tanjung Pinang, Residency of Riau in 1879, and in Yogyakarta in 1889. On these two occasions, the Chinese tax farmers were embroiled in an armed conflict with their fellow countrymen and the local colonial administrators. The riot in Tanjung Pinang was identified by local Dutch officials as a Chinese revolt against the introduction of a business tax (*bedrijfsbelasting*). It was reported that on 13 July 1879 a group of Chinese *koeli* attacked the government office in Senggarong and burned down local market, in their dissatisfaction with the new levy. A military expedition suppressed the riot two days later. Several Chinese rioters were killed and two policemen were badly injured. In his final report to the Resident of Riau, the local military man-in-charge explained that Kho Moh Tjong, a Singaporean based opium farmer, had orchestrated the riot. He did so to destroy the reputation and legitimacy of the local Chinese head Ghi Hoko, who had taken over the opium farm licence in that district from him. Cunningly, Kho Moh Tjong used the issue of new tax levy to mobilize his revenge. The case concluded with the arrest of some ninety Chinese rioters. Kho Moh Tjong was expelled from the Indies and blacklisted from any opium related activities there.³⁷

The Chinese uprising in Yogyakarta occurred on 19 November 1889, when more than one hundred Chinese newcomers (*singkeh*) of Hakka descent conspired to murder the Chinese Captain, the opium farmer, and his partners, who were locally born men of Hokkien descent. The whole affair was the result of protracted tension between the unsettled newcomer Chinese immigrants who were trying to make a living in the city, and the established locally-born Chinese who did their utmost to stop the intrusion of the former into their opium and related businesses in this region. The story began when Liem

37 Complete description and military reports about this riot are compiled in NA, Mailrapporten 1879, fiches no. 404, 412, 428, 431, 461 (MvK, 2.10.10).

Kie Djwan, the Chinese Captain and the opium farmer Ho Yam Lo and his opium partner, Ho Tjiauw Soen, colluded with the support of Resident B. van Baak and opium police Ninaber, to expel those they considered to be undesirable new Chinese immigrants from the region by enforcing the long-ignored pass and residency laws. These 'powerless and unauthorized' Chinese were then arrested and charged by the opium police. As three members of this *singkeh* community were being escorted to jail, an armed band of their compatriot attacked the prison in an attempt to rescue them and kill the Chinese Captain and the caretaker opium farmer. Failing to find their targets, the rioters destroyed Liem Kie Djwan's house and his opium farm building. Rush argues that this uprising was a protest against the elite Chinese whose patronage network was in crisis, a situation that had prevented them from absorbing the newcomers into their network (Rush 1990: 196-97).

The growing scale of opium smuggling. The real cancer on opium tax farming was smuggling. Contraband eroded the entire operation of the opium farming system, the morale of government administrators and the fabric of society in general. Colonial administrators believed that the smuggling supplied more than half of the actual amount of opium distributed in the Archipelago. The smugglers were part of a colossal smuggling network that stretched from Mainland China to Singapore, from the Indian Sub-continent to Indo-China and was connected to the Archipelago via Medan, Aceh, or Bali (Tagliacozzo 2005). The main gateway for opium smuggling in Java and Madura was Bali, from where smugglers distributed illegal opium via both water and overland routes. The Opium Report reveals that three port cities on the north coast of Java, Jepara, Juana and Rembang, were the entry points for opium smuggled to Semarang before being distributed to the hinterland of Java. Banyuwangi, Besuki and smaller ports on the Eastern Salient of Java were gateways for illegal opium from Bali that was sent to Kediri, Madiun and Pasuruan via overland transportation routes (TeMechelen 1888, fol. 1588).

The government failure to patrol Javanese waters and the mainland was partly the upshot of the corruption and collusion embedded in the

opium farm itself. No one would have disputed the fact that opium smuggling was organized partially at least by Chinese *kongsis*, and even official Chinese opium farmers who were determined to make an additional profit definitely had a finger in the pie.³⁸ They employed accomplices, mostly indigenous people, who were often caught and brought to trial whereas the heads of smuggling rings themselves went scot-free. The 'easy money' offered by these activities attracted people from various layers of society prepared to run the risk of the severe punishments imposed by the colonial state. The Resident of Semarang calculated that by joining in smuggling activities a Javanese or Chinese could earn 200 to 300 guilders per month (TeMechelen 1888: fol. 1588). In order to retail this contraband opium, the opium farmers opened illicit dens or used their pawnshops stalls, slaughtering places or gambling houses as outlets. Under these conditions, from time to time throughout the nineteenth century opium smuggling increased, as did the government opium supply, and the government was powerless to counter it (Souterwoude 1890: 50).

Chinese and Javanese were indeed the most common players in the opium smuggling; Europeans were rarely involved in the business. However, when Europeans did decide to try their hand, they smuggled excessive quantities of opium compared to contraband brought in by the Javanese or Chinese smugglers. Their excesses led TeMechelen to declare that Europeans were the most vicious smugglers in Java (TeMechelen 1888: fol. 1587). The *Koloniaal Verslag* of 1899 (p. 155), for example, reported one of the most spectacular captures of opium smugglers in Batavia, after the police had arrested a European lady on several smuggling offences. Opium spies reported that in her first attempt she smuggled 7 *kati* of prepared opium and 12 *kati* raw opium. Her second attempt was more spectacular, she smuggled 35 *kati* and 63 balls (equal to 151½ *kati*) of raw opium from Singapore. In her felony, she was supported by her partner, a worker who had fled from his job to Singapore. The court sentenced her to six months imprisonment and a fine of 20,000 guilders. Similar cases were also

38 Description of opium smuggling in Semarang run by a Chinese *kongsi* and its relationship with the opium farmers can be found in Perelaer (1886) and Brooshoft (1888: 129-32).

reported from Tegal, Semarang, Jepara and Surabaya, where some Chinese were found guilty of being opium traffickers. They smuggled opium either by sea or by overland transportation routes resorting to various methods, such as by splitting it into pieces small enough to fit into the match boxes, mixing it with tea leaves or spices, hiding it under dirty clothes or inside wooden crafts, and often bundling it with papers and putting it in a bottle beer.

Opium farmers also often used opium smuggling as a tool either to enlarge their clientele or to destroy their competitors. Many people fell victim to opium scandals set up by opium farmers resorting to certain fraudulent tricks. For instance, when their men failed to persuade people to consume opium in their dens, these opium farmers would ruin their rivals by *petenah* (calumny) that involved a *pasangan* (trap) (Brooshoft 1888: 122-25). The dealers would send their henchmen to hide opium in the rival's house or yard and then inform the police or *mantri candu* (lower ranking opium officials) of their suspicions that that person was concealing illicit opium. When the cache was discovered, the victims were brought to trial.³⁹ These sorts of criminal set-ups involving opium were common in Semarang, Kudus, Jepara, Rembang and Bodjonegoro in the decade 1880–1890 (Brooshoft 1888: 135-44; Thomas 1893: 92-110).

Corruption and the moral turpitude of government officials. Corruption had been a regular feature in government reports, and notably the anti-opium pamphlets, since the 1870s. In the final pages of the Opium Report, TeMechelen concluded that the opium farm was a nest of corruption, collusion and the abuse of power and that this was laid bare by the increasing scale of smuggling. As the opium farm structure was hierarchical, corruption in the opium business followed the same lines, and was found in all layers of the business. Almost all the parties engaged in the business were guilty to some degrees of corruption or collusion. To meet their revenue target and capitalize profit, the opium farmers played fast and loose with

39 For example, it was reported that the police arrested a number of people from the villages of Tegaltimun (Srongol), Widuri (Grogol), and Banyumeneng (Singen Lor) for keeping a lot of illegal opium in 1886. *De locomotief*, 13-26 March 1886.

the opium regulations, not to mention the pass and residency laws, and the government administration in general. They bribed local officials, village heads and police officers, to buy their support for the importation of illegal opium from various entry points on the north coast of Java, and its distribution in their farm areas alongside the legal opium. The local indigenous officers found it impossible to desist from helping the opium sub-farmers in return for certain financial rewards. In some cases, rival Chinese farmers did not shun from making efforts to topple opium licence holders by supplying illegal opium in their 'competitors' opium farm areas. In such an untenable situation, the actual amount of opium on the market multiplied, far exceeding the official allocation of government opium.⁴⁰ Unsurprisingly, the Opium Report recommended the colonial government to reform the opium farm system, rejuvenate the anti-opium armada at sea and reinforce police surveillance on land (Te Mechelen 1888: 1623-25).

The problem of corruption was also embedded in the operation of the pawnshop, slaughter and gambling farms. As reported by Fokkens, the changing of the administration of the pawnshops in the 1870s and 1880s from a license system to a farming system did not achieve its purpose of eradicating the abusive and corrupt nature of the running of pawnshops. Neither of these two systems gave the colonial government an hard enough grip to circumvent the devious tactic adopted by of the pawnshop license holders and the pawnshop farmers. They cocked a snook at the pawnshop regulations dictating the interest rates on loans, the system for evaluating pawned goods, the accounting system and the prohibition on using their premises as illegal opium dens. They thought nothing of colluding with local police officers and criminals to accept stolen goods for a cheaper loan. Following much the same path, farmers of the cattle slaughter tax exploited the peasants in rural areas. In collusion with local officials, particularly village heads, the *pachters* often did not report the slaughtering of stolen cows or

40 In the Opium Report, the Resident of Semarang said that about 5,475 *picol* opium was distributed all over Java, for which the population in general paid as much as 31.4 million guilders to the Chinese *pachters*, and 24.5 million guilders to the smugglers, or 55.9 million guilders in total. "Opium Report ...", (KITLV, H 422 (a), fol. 1593).

buffaloes by criminals, and were even prepared to buy the slaughtered cattle at a low price (Fokkens 1894). By manipulating corruption and collusion to serve their own ends, the Chinese tax farmers capitalized on their wealth and influence, and the colonial officials believed that their behaviour could endanger the whole fabric of colonial society (Fokkens 1897: 6-7).

These investigations gave the colonial government the chance to build up factual evidence that proved the revenue farming system was spinning out of control, to say nothing of being corrupt through and through and hence harmful to the larger part of indigenous population. The government finally acquiesced in this opinion saying that the growing influence of the Chinese tax farmers had outstripped the power of the local officials and, in some cases, even that of the European officials. This 'bureaucratic corruption', to cite Wertheim's term (1963: 129-52), could bring about the moral degradation of the entire colonial administration. Souterwoude (1890: 43), for example, emphasized that under this fiscal system the Chinese revenue farmers were '*een macht in den staat*' (a power within the state), who encountered almost no substantial constraints in their efforts to build up '*een imperium in imperio*' (empire within empire) in the colony. Therefore, from the turn of the new century, the colonial government gradually set about reforming the system, abolishing some of minor tax farms and converting others into government collected taxes or state monopolies.

Conclusion

This chapter has reviewed the variation in tax farming operations at a regional level. Financially, the profit from the tax farming system fluctuated from one Residency to another, reflecting the disparity in socio-economic, demographic and market conditions in the case of opium farm, and the effectiveness of the government regulation and administration in the case of the small tax farms. In general, this fiscal system was quite profitable, providing a growing substantial financial contribution to the colonial government exchequer. During the

period 1850–1900, the opium farm was the most profitable tax farm, constituting the lion's share of the annual total tax farms revenues.

In Java and Madura, the opium farm revenue was accrued from the most profitable regions in central and eastern Java, as among them Semarang, Surakarta, Kediri, and Surabaya. Chinese people were the biggest opium users in terms of level of consumption and scale, but the number of Javanese opium smokers was also growing steadily, eventually outnumbering the Chinese users but at a lower level of consumption. The opium farm licences throughout all the farm areas in Java and Madura were controlled by a handful of wealthy Chinese businessmen living in the big cities like Batavia, Semarang, and Surabaya. Most of these opium farmers held prominent positions such as *majoor*, *luitenant*, or *kapitan* in their community, an indication of their socio-economic influence and close ties to the colonial administrators.

The small tax farms were not as profitable as the opium tax farm, but were still important to the colonial government, especially local administrators, additional sources of income. The revenue from small tax farms varied regionally because they were introduced unevenly throughout the whole of Java and Madura. Batavia, Semarang and Surabaya turned out to be the three most profitable areas, and the colonial government introduced of the whole range of the small tax farms in these regions. As a matter of fact, some of the small tax farms, namely the pawnshop, the cattle slaughtering and Chinese gambling farms, operated closely with opium farms, for the simple reason they were controlled by the same opium farmers. The purpose of these opium farmers in obtaining the license for small tax farms was to protect their opium farms from an influx of illegal opium, and to use them to distribute extra opium through their own illegal outlets for additional profit. They also had a splendid opportunity to extend their businesses in the same farm area.

The financial success of the tax farming system was gained, however, at the expense of the indigenous population, who suffered from the excessive and exploitative tax levies of the Chinese tax farmers. In the 1850s, ex-colonial officials and observers in the Netherlands

began to criticise the operation of the tax farming system in Java. Their initial concerns focused on the detrimental impacts of some of the taxes that were collected from the population, as among them the market tax, the cattle slaughtering tax, and the pawnshop. However from the 1870s, their attention shifted to the opium tax farm, by then considered the more harmful institution that not only damaged the social fabric of indigenous population but also jeopardized the colonial state administration in general.

Opium smuggling had been the core issue of the *opiumkwestie* since the 1850s. As the government failed to find solution to the problem, the scale of illegal opium distribution increased continuously year after year, far outstripping the amount of the government opium allocation. This contributed to the uncontrolled growth in numbers of opium consumers among the indigenous people, a state of affairs that was believed would bring about the degradation of the quality of life and welfare of the Javanese, inevitably leading to a rise in criminality and social disorder. No less importantly the colonial government was suffering a financial loss, because the volume of illegal opium sold on the black market was much higher than that of the government opium. In a nutshell, the bulk of the actual opium profit in Java and Madura went into the pockets of smugglers, most of whom were also the Chinese opium farmers. Inadequate government monitoring and a defective control system in regions had given the *pachters* plenty of room to undermine opium regulations and seize the upper hand over the government administration as a whole.

In the long run, this sort of situation turned the system into a fertile ground for corruption, collusion, and rent-seeking practices. These gradually trickled down to other small tax farms, such as in the pawnshop and the cattle slaughtering tax farm. Under the tax farming system, the Chinese *pachters* emerged as a powerful economic group, building their own business empires and in doing so it created a situation of 'dual colonialisms' in the colony. These troublesome facts justified the decision of the government of Netherlands Indies to launch a fiscal reform policy at the turn of century. In stages, it gradually abolished the opium farm system, and introduced a state

monopoly (*regie*) in its place. This included the conversion of the pawnshop farm system into a system of government-run pawnshops, and the conversion of other small farms into state collected taxes. For various reasons, the colonial government required a long time to complete the process. These fiscal reforms will be discussed in detail in Chapter 5.

— CHAPTER 5 —

IN SEARCH OF A NEW APPROACH: TAX REFORM AND THE INTRODUCTION OF THE NEW TAXATION SYSTEM, 1890–1910s

Public opinion urging the need of tax reform in the colony, the tax farming system in particular, was first raised in the 1860s and recurred at regular intervals in the next three decades. In the final decade of the nineteenth century, it began to transform into political pressure both in the Netherlands and in the Netherlands Indies. A growing number of Dutch politicians from the Roman Catholic parties, the Socialists and radical Liberals, as well as journalists, joined in their concerns by colonial officials, condemned this fiscal system as immoral and unjust. There were no two ways about it; it needed an overhaul. This tax reform issue was part of a larger ‘wind of change’ that had begun to blow in the colony, eventually precipitating the introduction of ‘the Ethical Policy’ in 1901. This was a new departure in colonial policy that projected welfare programmes to improve the living conditions of

the indigenous population and measures to tighten up the efficiency of the colonial state administration in general (Penders 1977: 61-62).¹

In the context of this study, the most important aspect of this new colonial policy was the intention of the colonial government to 'right the past wrong' in its administration of the colony, including fixing up the discrepancies in the fiscal sectors, and by so doing, improve indigenous welfare (Locher-Scholten 1981; Rush 1990: 222). Obviously, tax reform was a crucial step towards achieving these 'ethical' goals. The abolition of the revenue farm system (*pachtstelsel*) and the introduction of a substitute system known as the government administered monopoly system (*regiestelsel*), including taxes, were the principal strategy hit upon to introduce a policy of tax reform. The abolition of the *pachtstelsel* was implemented gradually and carefully, no magic wand was waved, and it was not achieved without difficulty. Before taking the final decision to abolish the old system and introduce a replacement system, the colonial government had to take several preparatory measures. The investigations into the role of the Chinese in the tax farming system and of their economic position in Java and Madura were among initial steps on the abolition agenda. This stage was followed by a comparative study of the *Opiumregie* system and the experimental introduction of a new monopoly system that would cover the opium and pawnshop farms, and the salt trade in various designated areas.

This chapter examines this fiscal reform process in detail in an attempt to find answers to the following questions: Why did the colonial government finally abolish the profitable tax farming system and how was the abolition process effectuated? Why did the government adopt the *Regie* as replacement system? How did

1 The policy takes its name from the famous pamphlet written by Brooshoofd, *De ethische koers*, (published in 1900). It echoed Van Deventer's call for 'een ereschuld' (a debt of honour) the Dutch owed the colony. Its chief platform was that the Netherlands to return at least of 187 million guilders (151 million guilders of budget surpluses since 1867 plus 36 million guilders of accrued interest as repayment for the colony's debt since 1877), and that the whole of the Indies debt, amounting to 100 million guilders, be taken over to be used for economic development projects in the Indies (van Deventer 1899: 207-208; Penders 1977: 61-62).

the Chinese and their indigenous partners who had profited from the old system react to this reform? The chapter commences with a review of the investigation into the Chinese role and position in colonial economy as part of the preparatory measures taken before the introduction of the tax reform policy.

The Investigation into The Chinese in Java and Madura

Inescapably the story of the abolition of the *pachtstelsel* has to begin with the investigation into the economic position of the Chinese and other Foreign Orientals in Java and Madura launched by the colonial government in 1892-1894. The investigation was crucial turning point because it yielded factual information about the scale of Chinese economic activities, including revenue farming. On the basis of this investigation and its subsequent recommendations, the colonial government took decisive steps to reform the revenue farming system. First and foremost, the investigation was a government response to political pressure in the mother country to do something about 'the threat of the yellow peril', in other words the Chinese who dominated the tax farming system. The Dutch colonial officials were becoming worried about the growing economic influence as well as the conspicuous wealth and extravagant life style of the Chinese elite. Their anxieties were given and edge by the mounting influx of Chinese immigrants into the heartland of Java (Rush 1990: 204).

Some colonial officials harboured suspicious that these affluent Chinese had accumulated their wealth either from illegal activities or from the exploitation of the indigenous people, most conspicuously through their tax farming activities. Some former colonial officials criticized this fiscal system for putting too much power into the hands of the Chinese, whose activities in the long run would be undermine the authority of the colonial government and the credibility of the colonial legal system. J. C. Baud (1857: 60), the former Minister of Colonies, stated that these Chinese could: "*ons staatkundig bestaan in Nederlandsche Indië in gevaar brengen*" (endanger our political position in the Netherlands Indies). As a result of their

machinations, the Javanese population was afflicted with an opium addiction, impoverished by the usurious rates of interest charged by pawnshop keepers and abused by the collection of slaughter tax and the corruption that beset the other tax levies (Vitalis 1851; Fokkens 1897; Vlemming 1924).

The investigation was conducted in two phases: The first, under the leadership of W.P. Groeneveldt, was from August 1892 until March 1893; the second, under the direction of F. Fokkens took place from August 1893 to September 1894. The Minister of Colonies, Willem Karel van Dedem, known as a supporter of a more moralistic colonial policy, was the initiator of this investigation. In his letter to Governor General Pijnacker Hordijk dated 14 March 1892, the Minister stated that he deemed it necessary to conduct a thorough investigation into the economic position of the Foreign Orientals in Java and Madura. The investigation was officially announced in Government Decree No. 11 of 9 August 1892, signed by Van Dedem, and appointing W.P. Groeneveldt as head of project.²

Willem Pieter Groeneveldt was born in Gorcum on 28 May 1841 and died in The Hague on 18 August 1915. He was awarded a degree in Chinese and Japanese Language at Leiden University in 1861. He began his career in 1864 as Chinese interpreter in Pontianak and later occupied the same post in Padang until 1872; from 1872 to 1874 he served as secretary-interpreter at the Consulate General of the Netherlands in Peking. In 1877, the Department of Education, Services and Industry appointed him to a senior post; in 1881 he was promoted to secretary and 1887 to the position of director of that department. In 1880 he became member of the Council of the Indies (*Raad van Nederlands-Indië*) and one of the tasks he was assigned was to study the opium monopoly in French Indo-China as a model for setting up the *Opiumregie*. In 1893 he was appointed vice-president of the *Raad van Nederlands-Indië*, and in 5 July 1895 he resigned with an honour (*Encyclopaedie van Nederlandsch-Indië*, *ENI*, 1917: 819-820).

2 NA/MvK, Verbaal 17-04-1896, no. 27/Inv. 5037

In his memorandum, Groeneveldt explained that the investigation was intended not just to uncover the true economic position of the Chinese and other Foreign Orientals, but also to weigh up the impact of their penetration into the hinterland of Java on the wellbeing of the indigenous people. Aware that the Dutch did not think highly of, in fact were prejudiced against the Chinese, he was determined that the results of the enquiry would be based on factual evidence.³ With this purpose in mind, between September 1892 and March 1893, he made three trips to visit all the Residencies of Java and Madura to collect first-hand information. Groeneveldt compiled twenty-two points in total in his questionnaire. Thirteen were concerned with obtaining information about population numbers, taxes, occupation and the present state of Chinese migration and settlement. Groeneveldt was unable to complete his investigation because of his promotion to the post of vice-president of the *Raad van Indië* that same year. Nevertheless, he did manage to produce some preliminary findings, which served as guidelines for his successor (Claver 2006: 179).

To ensure its continuation, the Ministry of Colonies appointed F. Fokkens, the incumbent Director of Plantation Affairs (*Directeur van Cultuur*) in the Netherlands Indies, head of the enquiry on 26 August 1893.⁴ As a high-ranking colonial official, Fokkens was well

3 'Nota omtrent het onderzoek naar de economische toestand der Vreemde Oosterlingen op Java en Madoera, bij het besluit van 9 August 1892 no. 11 opgedragen aan het Lid van den Raad van Nederlandsch-Indië, W.P. Groeneveldt', door W.P. Groeneveldt, p. 1-3, in NA/MvK, Verbaal 29-09-1900 No. 34/Inv. 5524.

4 Fokko Fokkens began his service in 1874 as an *Aspirant-Controleur*. His career developed slowly. In 1885 he became *Controleur 1e klasse* that acquainted him with the land-rights of the indigenous people. In 1889, he was promoted to the position of *Inspecteur der Cultures*, which involved him in an extensive investigation into compulsory labour service. In 1894, he took over Groeneveldt's task and was given the rank of *Resident*. In October 1894, he went to the Netherlands for one year's leave, during which he was asked by the Minister of Colonies to help revise the Government Regulation (*Regeeringsreglement*), and then became one of the team of editors of the *Encyclopedie van Nederlandsch-Indië* until his departure to the Indies in February 1898. On his return to the Indies, 1 March 1898, Governor-General Van der Wick appointed him Acting Resident of Timor and its subordinate territories. In July 1899, he requested furlough in Java on the grounds of health. There he transferred to Tegal, from where one month later he took sabbatical leave. In July 1900 he was appointed

acquainted with Javanese society and culture, as well with the social-economic condition in the island. Thanks to his long service in the colonial administration, which had begun in 1874 and his involvement in government enquiries into various welfare issues to do with Javanese population, he was well qualified for the job. He had built up a name for his ardent efforts to advocate reforms in the colonial administration, and for his commitment to the wellbeing of the Javanese population that gave him the reputation of being a *Javanenvriend* (the friend of Javanese) (Ralph 1901: 13). On these grounds, some writers consider Fokkens as an *avant la lettre* figure of the Ethical Policy, and someone whose opinion of the Chinese was rather jaundiced (Giap 1989: 167; Claver 2006: 182).

Realizing the limited time he had, Fokkens immediately commenced his task of continuing the investigation into the Chinese and other Foreign Orientals. He began with some preparations. He reviewed Groeneveldt's memorandum to gain a deeper understanding of the investigation, and then went on to read the Residents' answers to the questionnaire distributed by Groeneveldt in various parts of Java. In September 1893, a few weeks after his appointment, in his quest to collect first-hand information Fokkens travelled to Central and East Java to interview the local Dutch civil servants and representatives of the Foreign Orientals. The whole investigation took approximately twelve months, from September 1893 until September 1894. Using the data collected from this investigation, Fokkens presented two different reports to newly appointed Governor-General C.H.A. van Wijck on 31 January 1894 and 1 March 1894 respectively. The first report dealt specifically with the operation of the revenue farming in Java and Madura. He complemented this with a proposal to convert the tax farms into government directed taxes and a state monopoly system.⁵

temporary member of the General Audit Office (*Algemeene Rekenkamer*). *ENI*, Vol. I (1896: 528); Anonimous, "De Benoeming van Resident Fokkens tot tijdelijk lid van de Alg. Rekenkamer in Ned.-Indië", *Tijdschrift voor Nederlandsch-Indië*, [tweede nieuwe serie], (1901: 371-75).

5 NA/MvK, Verbaal 12-07-1892 no. 61/Inv. 4837. "Nota betreffende de vervanging door directe collecte dan wel eigen beheer van de op Java en Madoera voorkomende pachten der gewone of kleine middelen".

The second report was more extensive, consisting of approximately a thousand pages, and presented detailed information about the economic position of the Foreign Orientals, particularly the Chinese, in Java and Madura.⁶

In the second report, Fokkens presented a comprehensive review of the admission, settlement, and the movement of Foreign Orientals, in Java and Madura. His findings led him to propose tighter control of Foreign Orientals in order to curb their deleterious influence on indigenous welfare.⁷ More importantly, Fokkens stated that Foreign Orientals, particularly the Chinese, occupied a dominant position in trade, tax farming, land leasing and landownership, *erfpachten*, money-lending, sugar-mills, rice-mills and other industries, and in winning timber contracts. In short, Fokkens demonstrated the immense influence of the Foreign Orientals, above all the Chinese, on the local economy. He emphasized the fact that the Chinese businessmen controlled almost all the economic sectors in Java and Madura from petty-trading to large-scale businesses. Fokkens acknowledged that the Chinese had achieved such an influential economic role, because they were endowed with such positive characteristics as an entrepreneurial spirit, frugality and the courage to invest. Despite such admirable traits, he argued this population group posed a threat to the indigenous society because of their activities as tax farmers and usurious moneylenders in rural areas. He also stressed that the rising influx of new Chinese immigrants into Java had put even more pressures on the Javanese population.⁸

6 NA/MvK, Verbaal 17-04-1896 no. 27/Inv. 5037. "Rapport betreffende het Onderzoek naar den Economische Toestand der Vreemde Oosterlingen op Java en Madoera en Voorstellen tot Verbetering".

7 NA/MvK, Verbaal 17-04-1896 no. 27/Inv. 5037 fol. 67-80. In general, although the investigation was directed towards the Foreign Orientals, the largest portion was devoted to the Chinese population

8 In his article, The Siau Giap (1998: 170) criticizes Fokkens' interpretation of the increase in Chinese immigrants, saying that it is not corroborated by actual events. In contrast to Fokkens, using new data, The Siau Giap believes that the Chinese immigration to Java up to the end of nineteenth century was fairly stable, if not on the wane because of the global economic recession and domestic economic contraction in both China and Java.

Analysing the data he collected, Fokkens proposed some recommendations that would allow the government to restrict the role and influence of the Chinese and simultaneously strengthen the economic capability of the indigenous people. Some of his most important recommendations were, that the colonial government should provide cheap, easy credit to stimulate the productivity of the indigenous economy; the government needed to abolish the abusive revenue farming; it should also restrict the admission of the Foreign Orientals as planters, holders of government contracts for forest exploitation and the transportation of people and products; and returning to the matter of the admission, settlement, and movement of Foreign Orientals, the government should introduce tighter surveillance and checks on newly arrived migrants by implementing the *wijken- en passenstelsel* (the District and Pass System) more strictly.⁹ With the exception of the stricter implementation of pass and district system, these recommendations tied in with Groeneveldt's earlier recommendations. Whereas Groeneveldt had proposed a total overhaul of the system, Fokkens argued that the existing system should be maintained with some minor revisions and a stricter implementation. Tjiok-Liem, has said that the Fokkens report marked the beginning of a stricter implementation of the *wijk- en passenstelsel* in the years thereafter, and was introduced in the jargon of the Ethical Policy as 'to protect the indigenous people' (Tjiok-Liem 2009: 341).

The Fokkens's report ended up on the desk of the Minister of Colonies, and, although the initial plan suggested otherwise, was never published for a general readership. The Minister judged that the report contained little new information, and, although it did succeed in compiling the hitherto scattered information about Foreign Orientals, it failed to come up with any helpful recommendation for the government. The other reasons for withholding the report from publication were political. Tjiok-Liem argues that the report had shown that Chinese were not the only group to exploit the indigenous people, the Dutch officials were sometimes by no means lily-white in

9 NA/MvK, Verbaal 17-04-1896 no. 27/Inv. 5037 fol. 575-78.

this regard. If this embarrassing fact were to leak if the report became more widely known, it would have destroyed the image of colonial government, arousing a tidal wave of public criticism (Tjiok-Liem 2009: 339). Another reason to tread cautiously was the desire to maintain the diplomatic relations between the Netherlands and China, at that time stretched as a consequence of the assertive policy to protect its overseas citizen pursued by China. With some trepidation, the Dutch were also aware of an upsurge in Chinese political activism in the Netherlands Indies. The Minister was anxious to avoid any problems in this sphere the publication of the report might stir up, as these might disturb the bilateral relationship with China (Claver 2006: 190).

In fact, these political considerations became a justification for the government not only to ban the publication of the report, but also to reject Fokkens' recommendations. This was locking the stable door, as during the time he spent in the Netherlands, Fokkens had had the chance to disseminate his ideas about the Chinese position in Java publicly in a lecture to the Indies Society (*Indisch Genootschap*) in The Hague, on 2 February 1897. In this lecture, Fokkens presented the main findings of his unpublished investigation and reiterated his main recommendations, namely the abolition of revenue farming and tightening controls on the immigration to and the movement of the Chinese in Java and Madura.¹⁰ The lecture attracted wide attention, particularly after Groeneveldt, then the Vice-President of the Council of the Indies, criticized Fokkens' ideas in a national newspaper. In this article, Groeneveldt noted his objection to 'the sombre impression of the Chinese in Java' presented by Fokkens, and also put forward his suggestions for redressing the negative image of

10 F. Fokkens, 'Afschaffing van de pachten op Java en Madoera en in verband daarmee verscherping van het toezicht op de beweging der Vreemde Oosterlingen', *Vereeniging van de Indische Genootschap*, 2 Februari 1897. English translation of the lecture appears as a chapter in M. R. Fernando & David Bulbeck (eds), *Chinese Economic Activity in Netherlands India: Selected Translation from the Dutch* (Singapore: ISEAS – RSPAS ANU, 1992), p. 58-75.

the Chinese.¹¹ However, this was the extent of the debate between the two figures, and all discussion of the Fokkens' report in Parliament and governmental circles was shelved. Despite this muted reaction, one of its most important recommendations, the abolition of revenue farming was achieved.

The Abolition of Revenue Farming

The colonial government had in fact already abolished several tax farms long before the Fokkens' investigation, primarily to improve the administration of tax collection and make it more efficient. The tollgate tax farms in the *Vorstenlanden*, for example, were abolished in 1827 as part of the efforts shore up peace and restore law and order in that region during the Java War. The salt tax farm was abolished in 1848 to be replaced by a monopoly, which lasted until the end of colonial period. The market tax farm was completely dismantled in 1851 after recurrent abuse of it hampered Javanese access to local markets. For the same reason, the colonial government also abolished the tax farm on cutting timber in 1862, the tax farm of fisheries in 1864, the poll tax (*hoofdgeld*) and the small business tax (*neringen*) in 1865, the tax farm on the sale of tobacco in 1867, and the tax farm on palm sugar in 1871 (*ENI* 1917: 236-40; Diehl 1993: 219). The abolition of the remaining tax farms was carried out after the completion of Fokken' report. Those principally affected were the tax farms on the sale of arrack and other liquor, the slaughtering of cattle and pigs, pawnshops and the opium farms. For several reasons, such as its financial importance, the scale of their operations and infrastructural support, the reform of the pawnshop and opium farms was implemented gradually, over a longer period of time.

In the case of opium farm, the quest for reform had been declared in the 1880s, when the colonial officials began to recognize the '*gele gevaar*' or yellow peril, after observing the conspicuous wealth and concomitant influence exerted by Chinese opium tax farmers in Java.

11 P.W. Groeneveldt, "De Chineezzen-quaestie in Nederlandsch-Indië", *Nieuwe Rotterdamsche Courant*, 13 Maart 1897.

In the mid-1890s, intensifying anti-opium campaigns put even more pressure on the colonial government to take decisive action to deal with the opium-based problems (The Siauw Giap 1989: 166-67; Fokkens 1992: 58). The ‘sugar crises’ of the mid-1880s that adversely affected the agricultural economy of Java, also contributed to the abolition of opium farm to a certain degree. As the price of cash crops fell, the rural population retreated from the marketplace and readjusted their principal focus to meeting their basic needs. As a result, money grew scarce and the purchasing power of the Javanese peasant dropped considerably. In turn, this seriously affected the financial condition of the tax farms, above all the opium farm. By 1889, only four out of nineteen opium farms had survived the rural depression and farm debts to the state had already surpassed three million guilders. In 1893 outstanding debt had approached almost six millions guilders, most of which the Dutch government was forced to write off. Rush notes that: “... many of the once proud kings were humbled in a tawdry spectacle of bankruptcy proceedings and debtors’ prison” (Rush 1990: 182-83).

The collapse of major opium and other Chinese farms set the door ajar for the colonial government to reform the opium farm. An experimental study was introduced in Madura in 1894 under which the opium farm system would be replaced with direct government control (*Regie*). Three years later, the Dutch Parliament finally approved the abolition of the opium farm and passed the law to introduce its replacement. By 1904 the transformation process was complete throughout Java and Madura, and in Sumatra’s East Coast Province, Riau and Aceh the process was rounded off in 1911. The conversion of the opium farm into the *Opiumregie* was followed by a gradual change in the administration of the pawnshops, transforming them from a tax farming system into a government monopoly system in the period 1908–1917 in Java and elsewhere in 1922–1930 (van Westerrode 1902; Furnivall 1934).

Overall, the reform of revenue farming was implemented by three different measures, complete abolition, conversion into state directed taxation, and replacement by state directed administration. The first measure applied to the tollgate tax farm, the market farm, the forest

exploitation farm, and the palm-sugar tax farm. The second measure was adopted to reform the cattle and pig slaughter farm, the sale of edible bird's nests, the sale of liquors, tobacco, as well as the fish and fisheries farm, and the Chinese gambling and poll tax. The third measure was applied to the most financially important tax farms, opium and pawnshops. The process of reform in the tax farming system was completed at the end of 1910s. By then, most of the small tax farms had been converted into state directed taxes, among them the slaughtering tax, excise on liquors and tobacco, and so on. The opium and pawnshop farms were converted into government monopolies on opium (*Opiumregie*) and pawnshop (*Pandhuisregie*), following the pattern of the government salt monopoly (*Zoutregie*) that had been established earlier in 1848. This reform policy marked a new era of a modern taxation system in the Netherlands Indies, in which state administrators had a full control over the process of tax collection and the role of non-state parties like tax farmers, was done away with completely.

The Introduction of The *Regie* system

The transformation of revenue farming into an integrated government-controlled system was a complicated process, and the colonial government had to tread carefully when it was formulating systematic steps and approaches. This cautious approach was particularly evident in the case of two most important farms, opium and pawnshops, but salt was also a tricky business. The government had to find the best way to meet the politico-economic interests of the groups that had been engaged in the operation of tax farms for decades. It was believed that one step out of place might easily trigger conflicts, not only between the government and the tax farmers, but also among smaller players at the grass-roots level, because the new policy would jeopardize their sources of income. Once the new system had been properly established, the government would have full control of the processing and distribution of opium, the production and sale of salt, and the operation of the pawnshops, hence of the profits made by these

businesses. During its initial years in operation, each monopoly regime was organized under a different administrative unit (*dienst*), but later they were all brought together under the supervision of Department of State Enterprises (*Departement van Gouvernements-bedrijven*).¹²

The Opium Monopoly (Opiumregie)

The principal goal of the introduction of opium monopoly was to achieve two rather contradictory purposes. On the one hand, in its guise as a fiscal instrument, the colonial government wanted this new institution to be lucrative redirecting the opium profits, which had previously flown into the pocket of the Chinese opium farmers, into its own purse. On the other hand, the colonial government wanted to achieve its first target without jeopardizing the wellbeing of the indigenous population, and to achieve this by minimizing the social consequences of opium consumption in the colony. It realized that making a profit from such a controversial commodity was now considered a moral outrage, since international pressures to abandon opium, as commercial commodity, was growing stronger. In this atmosphere, the *Opiumregie* was presented as an ideal system that would be lucrative but ‘ethical’, operating in accordance with the basic principles of the Ethical Policy: ‘to protect indigenous people’. Historians, like Rush (1990: 218), have argued that the *Opiumregie* was one of the first colonial institutions to symbolize the new spirit imbuing the colonial approach and had been devised to ‘right past wrongs’. In the word of one Dutch colonial official, the ultimate mission of this institution was: “*De regie zal reeds dadelijk een eind maken aan de moreele nadeelen, die aan het pachtstelsel verbonden zijn*”.¹³

This still begged the question of what was the best way to design the *Opiumregie* to achieve that goal, and how could it be run more effectively than the opium farm system? This issue was trashed out in the Dutch Parliament. As early as November 1888, Levysohn Norman and Baron Schimmelpenninck van der Oye, sparked the

12 ANRI K.52.969/Departement van Financiën, hereafter DvF/bundle no. 51.

13 In English it would be: “the *Regie* shall quickly put an end to the moral disadvantages associated with the *pachtstelsel*” (de Roo 1897: 16-17).

discussion by proposing the French *Opiumregie* in Indochina would be the right model for Java (Kielstra 1888). The idea was followed up by some pamphlets that discussed the possibility of introducing the French Indochinese model into Java. Struick (1889:39-55) wrote one of the most important of these, which proposed a modification model of *Regie* for Java. He noted that the French colonial government had introduced a state opium monopoly in 1881, also in attempt to reduce Chinese domination, by taking over of the whole of opium business: from processing to the distribution process through official wholesale outlets and licensed retailer agents. Struick thought one major stumbling-block to the successful transplantation of this system was that the opium price in Cochin China was very low, only 2 dollars (4 guilders) per *thail* compared to the opium in Java that was priced at 12–14 guilders for the same amount. The upshot was that the retailers tended to encourage the sale of opium to make a profit, and this boosted opium consumption. Were the model to be applied in Java, Struick proposed that the wholesale and retail opium trade should be in the hands of salaried state officials (Struick 1889: 15). Another pamphlet written by J. Haak, reminded the colonial government of the possible technical difficulties in processing government opium (Haak 1889; cf Rush 1990: 209).

Believing that a state monopoly would be the best possible option and to acquire more comprehensive information about the French *Regie* system, on 24 January 1890, Minister of Colonies Keuchenius commissioned W.P. Groeneveldt, at that time member of the Council of the Indies, to study the operation of the government opium monopoly in Cochin China. Six months later, in August 1890, Groeneveldt completed his study and submitted his report. By and large, Groeneveldt gave a positive impression of the French system and its prospects as a model for Java.¹⁴ He argued that the Dutch government in the Netherlands Indies would never achieve its ethical and fiscal goals if the opium farm system were to be retained,

14 The report was published as a book under title: *Rapport over het opium-monopolie in Fransch Indo-China in verband met de vraag in hoever beheer in Regie van dat middel voor Nederlandsche-Indië wenschelijk is* (Batavia: Landsdrukkerij, 1890).

because these would be in direct conflict with the interests of the opium farmers. The opium farmers would do their utmost to secure their profits, as they had done in the past, resorting to such ploys as importing illegal opium and encouraging opium consumption. Groeneveldt believed that opium farm was beyond reform, and should be completely abandoned. He concluded that opium monopoly operated by state employees, supported by a solid anti-smuggling police brigade on land and at sea, was the only system that the colonial government could adopt to attain its goal: to take over opium profit from the Chinese *pachters* and to reduce consumption (Groeneveldt 1890: 23-25).

The promotion of the *Opiumregie* in Java did not pass unchallenged. Two former Directors of Finance in the colony, H. R. Bool (1872-74) and L. W. G. de Roo (1883-87) were among its most vociferous opponents. In their eyes, smuggling, not the opium farm, lay at the heart of the *opiumkwesitie*; therefore government efforts should be directed towards combating this illegal opium trade. They believed that if the government could accomplish this mission, there would be no need to establish a state monopoly or a concomitant opium bureaucracy that would be costly, inefficient and problematic to a degree. Bool also insisted that if the government failed to ensure this then:

“Opiumregie maakt de positie van het gouvernement nog immoreeler dan de pacht. Het is niet de eenige vraag hoe het gebruik te tempeeren, maar allereerst hoe onze regeering haar boeze verantwoordelijkheid loosmaakt” (Bool cited by Struick 1889: 37).¹⁵

Some members of the colonial services in the colony also raised their objections. TeMechelen, in charge of anti-opium smuggling, gave voice to his worry that European bureaucrats could be replacing

15 In English, the passage would be: “*Opiumregie* would make the position of the government even more immoral than the *pacht*. The only question is not how to moderate its use, above all it is how our government extricates itself from its evil responsibility”.

the Chinese opium wholesalers, but there was no guarantee that they would act less selfishly or not be tempted to smuggle. Director of Finance Rovers also expressed his concern when he said that the system might possibly worsen the financial drain of the opium profit and could escalate the distribution of illegal currency in Java (*cf.* Rush 1990: 212-13).

These critical voices did not stop the colonial government from pushing ahead with its plan to introduce the government opium monopoly. The new Minister of Colonies, Baron van Dedem was a keen advocate of this agenda, although he focused most of his attention on welfare programmes (Idema 1924: 50-51). In 1893, the Dutch Parliament passed the *Opiumregie* resolution, and from 1 September 1894 until 1 January 1898 this was followed by an experiment in Madura. The experiment proved successful, and the colonial government decided to extend the *Opiumregie* experiment to Besuki, Probolinggo and Pasuruan on 1 January 1896. On 12 June 1897, Queen-Regent Emma affixed her signature approving this new item amounting to 56,000 guilders, on the colonial budget to finance the introduction of the *Opiumregie* in Java. By 1903 the government had completed its experiment and thereafter introduced the definitive *Opiumregie* throughout the whole of Java and Madura, with the exception of several ‘forbidden areas’.¹⁶

Under the *Regie* system scheme, all opium transactions and consumptions were supposed to take place only in the government opium outlets and dens, at a fixed price that would be set high enough to discourage demand. Seizing the opportunity, the colonial government also established a stronger opium police force to fight against the illegal opium that was pouring into Java. In a decree issued on 15 October 1898 (SvNI 1898 no. 279), the colonial government initially designated seventeen Regencies monopoly

16 ARNAS/DvF/K.52/982. “Verslag over het jaar 1904 omtrent de exploitatie en den voortgang door de invoering van de opiumregie....”. During this trial period, the *Opiumregie* were operated side by side with the last licensed opium farms. The government finally extended the *opiumregie* to the Outer Islands only after 1914 (*ENI* 1917).

regions (*Regiegebied*) with 1,060 opium outlets in order to test the new system.¹⁷ In this trial period, the number of government opium outlets (*verkoopplaatsen*) and opium dens (*verbruikplaatsen*) was still quite large. But, by the end of the experimental years, the government had reduced the number of opium outlets to 1,025 in 1904, but had opened more opium dens throughout the whole Java and Madura raising their number from 630 to 747, including seven dens for women in that same year (*Wettelijk* 1907: 15).¹⁸

In his report to the Director of Finance dated 5 June 1905, the Chief Inspector of the *Opiumregie*, A. de Jongh gave a survey of the direction and development of the *Opiumregie* in Java and Madura so far.¹⁹ He noted that the introduction of the *Opiumregie* had been carried out in two stages, extension and exploitation. In the first stage, the central government had contacted local administrators for the purpose of providing some preparatory supports: in the form of extra personnel, financial help and an elucidation of the regulations. Once this stage had been accomplished, the next stage, exploitation, could begin. The local regional heads were assigned the task of managers of the *Regie* and chiefs of the Opium Police. They had the authority to appoint and supervise all their staff composed of one inspector-in-chief, two inspectors, two deputy-inspectors and one additional staff member. Dutch civil servants held these high-ranking posts. The opium depot managers (*depothouders*) collaborated with some assistant-collectors to supervise the distribution of the opium to the stores

17 This included the following regions with the number of their respective opium outlets: Banten 2 units, Batavia 49 units, Priangan Residency 6 units, Cirebon 13 units, Pekalongan 56 units, Semarang 146 units, Rembang 58 units, Surabaya 92 units, Madura 32 units, Pasuruan 56 units, Besuki 40 units, Banyumas 16 units, Kedu 50 units, Yogyakarta 85 units, Surakarta 145 units, Madiun 80 units, and Kediri 134 units. See *Wettelijk Bepalingen voor de Opiumregie* (1907: 1-2).

18 In its early years operation, *opiumregie*, consumers did not see much difference with the revenue farming system except that they could only buy a small package of opium ready to use. Only in the 1910s, did changes begin to appear: users were first registered, and commencing in 1923, many had to obtain a licence before they were allowed to buy opium in the government-owned shops (van Luijk & van Ours 2001: 7, note no. 16).

19 The report was submitted under the title “Algemeen overzicht van de geheele inrichting van den dienst der opium-regie”, catalogued under bundle ARNAS/DvF/K.52.969.

and dens operated by *mantri*-opium. These *mantri* were indigenous recruits working at the bottom layer of opium bureaucracy. They had to report and remit the cash from opium sales to the assistant-collectors who served as intermediaries between the individual sales *mantri* and the Dutch depot managers. All administrative and financial reports ended up at the desk of the Resident, the local manager of the *Regie*. To replace of the work formerly undertaken by the opium farm spies and opium hunters, the opium regime added to the strength of the ordinary police by recruiting new police *mantri* whose job was to prevent smuggling and stop the clandestine opium trade on land. To facilitate control of the smuggling at sea, the government provided five new steam-launches to patrol the bays regularly, working in close cooperation with the Government Marine Service (the Navy).²⁰

Another important institution under the *Opiumregie* was the opium factory (*opiumfabriek*), which was established in Struiswijk (now Salemba), in Batavia in 1894. J. Haak, a chemist, was appointed director of this facility and two colleagues assisted him, an engineer acting as deputy-director and a technical and administrative staff member. The factory developed rapidly, it had 630 employees in 1905, and their number had increased to more than 1,000 employees by 1913 (*Verslag der Opiumregie* 1916). The factory produced two opium based products: *candu* and *tiké*. The first was made from a mixture of pure opium imported from India and Turkey, to which was added a small percentage of dross, and sugar. The second was a mixture of crushed *awar-awar* leaves, and raw opium. *Candu* was packed in a tube, but *tiké* was produced in the form of a capsule. Both were sold at government-owned opium outlets. Consumers could use them in licenced opium dens or consumption centres (*verbruik-plaatsen*), where they could rent smoking equipment and buy other related ingredients (Haak 1898: 6).

As Rush correctly argues, the introduction of the *Opiumregie* expanded the size of the *Pangreh Praja* (*Binnenland Bestuur*), by

20 ARNAS/DvF/k.52.969./pp. 25-50. The anti-opium armada consisted of two fast launches: the *Argus* and the *Cycloop*; and three slower vessels: the *Tegal*, the *Wachter*, and the *Valk*.

recruiting a growing number of young *priyayi* who had graduated from government schools and were seeking a prestigious job and the status as an official in the colonial bureaucracy. By removing the official opium trade from the hands of the Chinese and entrusting it to Javanese civil servants, the reform had met some of the goals of anti-opium farm and the Ethical Policy (Rush 1990: 222, 226). Government Decree 23 December 1907 (SvNI 1907 No. 537) laid down that the *Opiumregie* bureaucracy should consist of the following positions: fifteen European depot managers (with a salary ranging from 200–300 guilders per month), sixty indigenous assistant-collectors (with salary of 100 guilders per month), 1,005 indigenous *mantri* opium (with salary ranging from 30–50 guilders per month), four European clerks in the main depots of Batavia, Semarang, Kediri and Surakarta (with salary 100 guilders per month), and 1,436 indigenous assistants (with a salary of 15–20 guilders per month). The job of these last-mentioned was to help the managers, depot holders, assistant-managers, and *mantri* in the distribution and sale of opium all over Java and Madura. By 1907 there were officially 2,516 officials in total working in the administration of *Opiumregie*.²¹

Thanks to the support of such a large bureaucracy, after a decade of experimental operation, the colonial government claimed that the *Opiumregie* system had been successful in achieving its targets, particularly making a higher profit with lower level of opium consumption than the revenue farm. This success story was presented at the First International Opium Conference in Shanghai in 1909.²² The Dutch colonial government declared that, despite some initial teething problems, the *Opiumregie* system was fulfilling its original purpose

21 In reality, the number of people involved in the operation of *Opiumregie* might have been much larger, considering the fact that some of indigenous staff, *priyayi*, often employed their own assistants. As a compensation for their position as *Regie* manager, the Resident received an additional fee amounting to as much as 50–75 guilders per month. See SvNI 1907 No. 537.

22 The Dutch was active participant in the series of International Opium Conference, of which the prime mover was the USA. See “Memorandum concerning the Opium-Regie Service in the Netherlands—India”, *Report of the International Opium Commission, Shanghai, China, February 1 to February 26, 1909, Vol. II. Reports of the Delegations* (1909: 298–99).

quite well and was gradually making the role of Chinese opium farmers redundant. One problem had still not been eliminated, smuggling, but this was being dealt with successfully by tightening control and giving the anti-smuggling police more powers. Since its introduction, the *opiumregie* had successfully reduced opium consumption by localizing the distribution network and keeping the market price low. It had been reported from Java, Madura and Lampung, that the average annual consumption of *candu* per capita had decreased from 0.043 *mata* in 1889–1893 to 0.025 *mata* in 1904–1908, and that opium sale had also decreased from 1,012,081 *tabils* to 759,928 *tabils*. To cap it all, this report claimed that the *Opiumregie* had eventually proved more profitable than the farming system. In 1907, for example, the *Regie* had yielded a net profit of more than 13.3 million guilders, 61,000 guilders more than the revenue from the remaining opium farms (*Memorandum...* 1909: 98). The colonial government might have been proud of its success story but this claim did not go unchallenged by a number of politicians, journalists and writers. The debate on the *Opiumregie* and its consequences will be examined in more detail in Chapter 6.

The Pawnshop Monopoly (Pandhuizenregie)

Another of Fokkens' recommendations was that the pawnshop farm system be replaced by a state monopoly. Initially, the Department of Finance rejected and shelved the recommendation, chiefly on the grounds that it would cost the state too much to accept goods as pledges, to sell the forfeited pledges below their market value, and to employ new officials with better qualifications for the tasks in hand. Fokkens' lecture in the Netherlands advocating the importance of abolishing revenue farms, including that of the pawnshop, had aroused public interests and furnished new grounds for public criticism of the pawnshop system. Eventually, in 1900, the colonial government did decide to entertain the idea of the direct administration system of pawnshops in Java. To prepare for this step, in 8 November 1900, it commissioned W.P.D. de Wolff van Westerrode, Assistant-Resident of Purwokerto to lead an enquiry into the mechanism of popular

credit, and to collect data that could be used to improve existing credit practices based on the pawning of goods.²³

De Wolff van Westerrode's main task was to investigate the working of the pawnshops in Java, and he had two main agenda points to address. His first task was to assess what the Chinese pawnbrokers had done so far, and, once this had been done, his second was to find out how this could be improved. He approached the first problem by conducting experiments with the help of local officials, and the second by actually managing a pawnshop. The first experiment was carried out by distributing a questionnaire and a collection of jewellery, clothing and other articles in daily use to be pawned through trustworthy Javanese. Some of these were to be redeemed; others were to be forfeited and hence liable to be sold at auction. These experiments produced a wealth of valuable information about the working of the pawnshop system, supplemented by information about the bookkeeping system and the profits made by pawnbrokers. For the second experiment, van Westerrode used a pawnshop licence in Sukabumi, where the pawnshop had no need to compete with the neighbouring Chinese shops. On 12 March 1901, the first government-owned pawnshop was officially opened in Sukabumi. The staff consisted of a European manager, a European assistant, an indigenous assessor, apprentice trainee-assessor, a clerk, a cashier and two shop assistants (Furnivall 1934: 2).

The most important objective of this newly proposed system was to free the indigenous people from the grip of Chinese moneylenders, and to provide a better service for those wished to raise money on their goods. In the government pawnshop, the valuation process used to assess the pledges was fairer and more scientific. Unlike the Chinese pawnshops, the government pawnshop applied the same terms and regulations to both rich and poor people. Better provisions were

23 "Gegevens te verzamelen noodig voor de beantwoording der vraag, in welken zin verbetering is aan te brengen in het bestaande stelsel van het uitleenen van kleine geldsommen op pand", Bijlage M. No. 25, "Extract uit het register der besluiten van den Gouverneur-Generaal van Nederlandsche-Indië" (van Westerrode 1902: 75-76); a short biography of this person can be read in Furnivall (1934: 2).

made to store the goods properly. Loans were granted promptly and no illegal deductions were made. Finally, no difficulties were raised when the goods were redeemed. Van Westerrode reported that the new pawnshop administration system had captured the interests of the indigenous people. Within one year of its foundation in 1901, the shop had made a promising profit, as high as 14,527.50 guilders, from its transactions. Pleased with this success, the government decided to extend the experiment by introducing a new government pawnshop in Cianjur. The new shop was also successful. In 1903 four more shops were opened, and, more importantly, in the same year the colonial government approved this model of pawnshop administration and enshrined it as a government decree (SvNI 1903 No. 402).²⁴

The experiment with the direct administration of pawnshops was seriously interrupted when van Westerrode, the project leader, died suddenly in 1904. Fortunately, he had laid the foundations of the modern pawnshop system and popular credit service well, and his works made it possible to introduce a state-owned pawnshop service within a few years. At the time of van Westerrode's death there were still only six government pawnshops, all in West Java, but in the following year six more shops were opened in Central and West Java. On 23 February 1906, the government officially declared that the state pawnshop service had passed beyond its experimental stage, and that the system was ready to be planned as a standard operating procedure for the pawnshop service throughout the entire Netherlands Indies. Soon after the announcement, sixteen new pawnshops were opened in Java and Madura in 1907; and, after a gradual process of training staff

24 "Aanhangsel: Resultaten der proefpandhuizen te Soekaboemi en te Tjiandjoer over het tijdvak 1 Januari tot en met 30 April 1902", in W.P.D. de Wolff van Westerrode, bijgestaan door de Controleurs in Commissie F.H.D.H. von Ende en E.W. Ph. M. Nittel, *Het Onderzoek naar de Werking der Pandhuispacht en de Proefneming met eigen beheer*, tweede deel ('s-Gravenhage: Martinus Nijhoff, 1902), p. 24-28. In 1901 there were 394 pawnshop farms operating throughout Java, and the total amount of pawned articles was 20,330,747 of which the value reached 35.5 million guilders. *Handleiding ten dienste van de Inlandsche Bestuursambtenaren op Java en Madoera, No. 38/F, De Pandhuis-Regie* (Weltevreden: Uitgevers-Maatschappij "Papyrus", 1919).

and other requisite preparations, all pawnshops in Java and Madura were finally brought under government administration in 1916.²⁵

Despite this move, there were still, at least, two factors that obstructed the expansion of the *Pandhuis-regie*. The former was the lack of a reliable manual control system. To overcome this obstacle, the government took the initiative to introduce the *verrekeningsadministratie* in 1911 and this proved to be of great practical value. Under this scheme, a special head of accounts was installed to keep a check on both the receipt and disbursements or payments, and this contributed greatly to simplifying the administration. One very troublesome hitch was the nagging problems of corruption and incompetence, a legacy rampant since the era of the farming system. These problems were particularly prevalent in the valuation of pawned goods. The solution the government decided on was that valuation process should be based on the actual market price when the pawned-articles had been newly purchased. The stumbling block here was the lack of qualified staff members to value the goods, and the plan had to be abandoned and the former practice of basing values on auction prices was reintroduced. However, now when an auction was held the pawnshops did not use the services of external auctioneers (*vendumeester*), but in 1920 this task was taken over by their own officials.²⁶

The government pawnshop service fell under the aegis of the Department of Finance. Its head was a director (*hoofd van den dienst*), who worked at the central office of the *Pandhuisdienst* in Weltevreden, where a deputy-director (*inspecteur-onderhoofd*) seconded his position. In the carrying out of their managerial tasks, they were assisted by a team of administrative staffs consisting of three inspectors, one assistant-inspector (two in 1931) and one trainee inspector. Although these officials were initially recruited from the army, later they were required to be Dutch university graduates in Economics. To facilitate the organization of its system of control, the government

25 “De Verdere Ontwikkeling van het bedrijf”, in *Gedenkschrift uitgegeven ter gelegenheid van het 25 jarige bestaan van den Gouvernements Pandhuisdienst, 1901 – 1 April 1926* (Weltevreden: Landsdrukkerij, 1926), p. 20; Furnivall (1934: 3).

26 “De Verdere Ontwikkeling van het bedrijf”, p. 21-22; see also Furnivall (1934: 4).

created six inspection areas (*inspectieafdeelingen*), five in Java and one in Sumatra, and subdivided these into forty-three jurisdictions (*controleeressorten*). The inspectors coordinated the checking process, with the help of twelve first-class controllers, twenty-two controllers and eleven assistant-controllers. At headquarters there were also three instructors in valuation, with one instructor on probation (*aspirant*), and one instructor in commercial commodities (*warenkennis*). All the officials working in the inspection, control and technical divisions were Europeans.²⁷

For the day-to-day running, the government pawnshops relied on a huge army of lower ranking officials. The bureaucracy of *Pandhuisregie* increased in pace with the expansion of the government pawnshop services. By the end of 1925, the *Pandhuisdienst* had opened 368 pawnshops and was employing 5,528 officials, 227 Europeans and 5,251 indigenous. The Europeans occupied the most important positions ranging from the *hoofdbeheerders* (general managers), *beheerders* (managers), and the first- and second-class officials. All indigenous employees were categorized as third-class officials (“Het Pandhuispersoneel” 1926: 44). Furnival sets out a rather different composition of the pawnshop administration in 1932, when the state-owned pawnshops in Java and Madura numbered 375 and those in the Outer Islands sixty-eight. This excluded 174 pawnshops in the *Vorstenlanden* area, where the pawnshops administration had a different set-up. In that year, the state pawnshops service employed ninety-six European managers, 237 indigenous sub-managers, and 4,219 indigenous officials working as cashiers, appraisers, clerks, and night watchmen.²⁸

27 “Het Pandhuispersoneel”, in *Gedenkschrift uitgegeven ter gelegenheid van het 25-jarige bestaan van den Gouvernements Pandhuisdienst...* (1926: 43); Furnivall (1934: 5).

28 Furnivall (1934: 5-6). Initially the pawnshops were opened 10 hours per day and 7 days a week. Later it was decided to close them once a week on Sunday, and after 1913 the working hours were 8 hours from 7 a.m. to 3 p.m.. At the height of the social movement in the 1920s and 1930s the indigenous officers united themselves in a union, the *Perserikatan Pegawai Pegadean Boemipoetra* (P.P.P.B.) that was quite strong, as it held several strikes in protest against some problems plaguing the pawnshop service. See “Het Pandhuispersoneel” (1926: 45-46).

In the wake of this transformation, the government pawnshop service emerged as one of the most important institutions that strengthened the rather shaky capital market in Java, by providing small credit to large masses of Javanese in rural areas (van Zanden 2009: 165-68). The social importance of the pawnshop monopoly grew, because it helped the indigenous population to acquire alternative credit and avoid the usurious loans demanded by the Chinese moneylenders. Indubitably, the pawnshop service fulfilled a real function as a popular source of credit. Keers (1928: 88) has pointed out that, as a credit institution, the pawnshop had some characteristics that distinguished it from other forms of credit. It issued loans on the basis of the intrinsic value of the pawned good and not on any personal guarantee that the applicants could offer, or on their wealth. Importantly, the pawnshop accepted whatever the applicants could offer, without any security requirements as the moneylenders usually demanded (Keers 1928: 89).

Another colonial civil servant, J. R. Lette, the Director of Finance, conducted another investigation into the working of pawnshops in Java and Madura in 1932–1933. In his report, he concluded that the pawnshops could be used as barometer of the economic conditions of the indigenous people. Fluctuations in pawnshop transactions reflected the ups–and–downs of the socio-economic circumstances of the indigenous people, who would only pawn their best goods if this were absolutely necessary. He asserted that the pawnshops provided some important functions. They were credit institutions, places in which certain goods could be safely and properly stored, and – for observers – they served as welfare barometer. Despite the undoubted importance of these services, their most important function was as a credit provider, from which the indigenous people could take a loan to finance their economic activities. Lette's conclusion was that the pawnshop marked an important transition in the colonial economy, in its evolution from barter to a monetary economy, helping people to turn their goods into cash (Lette 1933: 58-59).

The Salt Monopoly (Zoutregie)

The idea of state monopoly or *Regie* on salt production and its trade had already been mooted at a much earlier date. It was Raffles (1811-1816), who introduced a government monopoly on salt in Java and Madura on 15 October 1813, although the salt supply in several parts of Java was still farmed out to third party, usually a Chinese (van der Kemp 1894: 1; *ENI* 1921: 865).²⁹ First and foremost this was a revision of the VOC salt farm, which was judged to be both abusive and inefficient. This monopoly system gave the state control of the production and distribution of salt in Java. When he introduced this system, Raffles claimed that it would allow the British government to curtail infringements while being able to benefit from an increase in the revenue from this commodity (Raffles 1817: 179).³⁰

After the restoration of the Dutch administration, the salt monopoly system was retained and expanded to some areas in the Outer Islands. The management of the salt monopoly was decentralized but was under the direct co-ordination of the Director of Finance and supervision of the Financial Council (*Raad van Financien*). Unlike the strict control of the opium and pawnshop farms, the government surveillance of salt production and the trade in the commodity tended to be less stringent. In Java, salt production was concentrated on the northern coasts of Java and on Madura, from where it was distributed to other places in Java as well as the Outer Islands (van der Kemp 1894). In

29 The importance of salt as trade commodity in the Archipelago had been widely discussed in many publications. It was one of the subsistence items but also indispensable for preserving foods, fish and meat. During the VOC period, the salt trade and its production in the areas under its control was completely farmed out to Chinese (van Leur 1955: 343; Reid 1988: 28-29; Knaap & Nagtegaal 1991: 127-57).

30 The mechanism ran as follows: the government bought the harvested salt at a fixed price from producers who were obliged to deliver it to the government warehouses. The salt was then sold locally or elsewhere to wholesalers and retailers at a certain price. To ensure it functioned properly, Raffles appointed a superintendent to head the service; and divided Java and Madura as monopoly areas into three parts, each supervised by an agent. The production areas were also split into several units. Non-compliance with regulations by producers would be punished. Illegally traded salt would be confiscated, and the transportation more than one *picul* (61.7 kg) of salt required a pass (Raffles 1817: 177-178).

practice, the working of the salt monopoly was unsatisfactory, periods of abundance alternating with periods of scarcity, and its smooth running was hampered by unbridled corruption. In the period 1819–1822, some places in Java were badly hit by a scarce of salt. After some investigation, the colonial government attributed the main cause to the personal mistakes made by some officials. In an effort to eradicate these errors, the government reintroduced the farm system in some places in Java between 1829 and 1847, and in the Outer Island after 1860.³¹ Apparently these measures were not far-reaching enough and a scarcity in salt struck again in 1859 and 1865. This time the government pinpointed the system itself as the main problem. As a solution, some colonial officials proposed the government should abandon the monopoly system and instead decontrol the production and trade in salt. The government that was convinced that any such plan would only worsen the situation rejected this idea. Finally as a solution, in 1882 the government issued a special decree for the ‘Regulation Assuring the Salt Monopoly’ (*Bepalingen tot verzekering van het zout monopolie*) (*Indisch Staatsblad* No. 73). This laid down the blueprint for the operation of the *Zout-regie* (*ENI* 1921: 865; van Braam 1919).

The most important upshot of this decree was that it gave the government control of the entire production of salt in Java and Madura and in some places in the Outer Islands. The salt production in Grobogan and Boyolali were the only two exceptions. Local salt producers here were still permitted to produce salt but they had to pay tax of 50 cents for every *picul*³² salt they produced and the total

31 In the East Coast of Sumatra, the fishing centre of Bagan Si Api-api in particular, for example, the salt farm system expanded enormously and the Chinese dominated the system from the early years of their settlement in the region in 1860s. Butcher states that the salt farm there played a significant role in the successful growth of the fishery industry in Bagan Si Api-api providing a continuous supply of the salt needed for the preparation of dried fish, as well as shrimp and prawns paste production. Considering its indispensable role in the local fishing economy, the colonial government abolished the salt farm in Bagan Si Api-api only after 1917, although in other areas it had already been converted into government monopoly in 1900s (Butcher 1996: 90-121).

32 1 *picul* is approximately 60.47 kilograms.

maximum production was set at 40,000 *picul* per harvest. Import and export of salt without express government permission was also forbidden and salt could be shipped only through designated ports in the monopoly area. Refined salt, briquette salt in bottles and refined salt for medical purposes were excluded from these restrictions. This monopoly regulation actually reinforced the 1870 decree that had designated Madura as the centre of government salt production. Previously, salt had been produced in the Residencies of Banten, Krawang, Cirebon, Rembang, Surabaya, and Madura. The reason for this decision was the calculation that centralized production would reduce the production cost and heighten the chances of the government getting the upper hand over the smuggling (*ENI* 1921: 866).

Under the auspices of *Zoutregie*, two salt-briquette factories were established in Madura in 1898. These factories processed the salt harvest of the local salt-makers in the three salt-producing areas of Madura, Kalianget in Sumenep, Bunder in Pamekasan, and Krampon in Sampang (de Jonge 1993: 171). The purchased salt was stored at the government depots, which were managed by European storekeepers (*pakhuismeesters*). After 1901, the salt purchased had been transported from Kalianget by railway to the port of Kamal, where the main storage facility was located. This storage area had been designed to stockpile enough salt for four years' supply, which was thought would preclude any scarcity, particularly during bad rainy seasons. From this main storage facility, raw and refined salt was shipped to transit warehouses (*zoutdoorvoerpakhuizen*) in some important cities, among them Batavia, Semarang, Pasuruan, Banyumas and Madiun. These transit warehouses were again under the management of Dutch storekeepers. The spearheads of salt distribution were the salt stores (*zoutverkooppakhuizen*) that were specially opened throughout Java as well as in Sumatra and Borneo (after 1917) and run by Dutch and indigenous officials (*ENI* 1921: 865; van Braam 1919).

In 1915, the colonial government instituted the salt monopoly as a 'modern' state enterprise by transferring it under the auspices of the Director of Government Enterprises. A Dutch manager (*Hoofd*

van den Dienst der Zout-regie) co-ordinated the whole operation of this state enterprise from Weltevreden, and various heads of salt production (*hoofd van den zoutaanmaak*) supervised the work of salt-pan controllers and other technical employees. These mid-lower ranking officials were permanent indigenous employees with a salary varying from 25–120 guilders per month.³³ The Europeans officials controlled the production of salt at the *Regie* saltpans, and they also had the right to supervise the privately owned pans. It was they who gave permission for the regulation of operations, controlled the water supply, inspected the dikes and ditches, and decided when the salt could be harvested. Besides its regular employees, the salt *Regie* also recruited a large number of seasonal labourers to work for either weekly or daily wages. Their number could reach thousands, both men and women, and they were employed in various sectors, purchasing, transporting and packaging divisions, in depots, and in salt factories (de Jonge 1993: 171).

In order to organize the distribution and sale of salt most effectively, the government divided the monopoly area (*regiegebied*) into four salt regions (*zoutafdeelingen*), each supervised by a Dutch inspector supported by some controllers and administrative personnel. The four salt regions were West Java, Central Java, East Java and the Outer Possessions. The last region included Residencies of Tapanuli, Sumatra's West Coast, Bengkulu, Lampung, Palembang, Bangka and its surrounding area, West Borneo, and East and South Borneo. In each Residency, the *Zoutregie* built a salt warehouse and salt stores managed by *mantri-garam*. In an emergency and in the absence of specifically appointed salt officials, the local administrators (the Resident and his assistants) took over the responsibility. The local police force was also responsible for keeping the salt smuggling in its territory in check. This was the final, definitive form of the salt monopoly, under which it produced average revenue of 4 million guilders in 1916 and 1917 (*Verslag van den Dienst der Zoutregie* 1920).

33 Gouvenementsbesluit van 3 December 1915 No. 40 (Bijblad No. 8486). *Handleiding ten Dienste van de Inlandsche Bestuursambtenaren op Java en Madura No. 30/G.B. Het Zoutmonopolie* (Departement van Binnenlandsch Bestuur 1919: 10-11).

The Conversion of Small Tax Farms into State Collected Taxes

Unlike the rather complicated process that accompanied the introduction of the *Regie* system, the conversion process of the small tax farms (*kleine verpachte middelen*) into state directed taxes was relatively simple. This is the impression built up from studying the reform process of the following tax farms: slaughtering cattle and pigs, the edible bird's nest trade, the sale of liquor, tobacco, fish and the Chinese gambling and poll taxes. In chronological order, the fish and fishery tax farms were the first to be abolished in 1864. The government converted these into a sub-section of the business tax (*bedrijfsbelasting*). The same fate befell the poll tax (*hoofdgeld*) and the small business tax farm (*neringen*). Both these tax farms were abolished in 1865 and incorporated into the business tax. The tax farms on the sale of arrack and other liquor and tobacco were stopped in 1867 and 1896 respectively to be replaced by excise duty. The tax farms on bird's nests, tollgates, bridges and ferries survived until the 1920s, but were of only secondary financial importance (Paulus 1909: 123-24; *ENI* 1917: 236-40; Diehl 1993: 219).

The slaughter tax was officially introduced on 1 June 1871 to replace the tax farms on slaughtering cattle, buffaloes and horses. Initially it only applied in Batavia and its surrounding areas, but was expanded to include the whole area of Java and Madura in January 1899. It was over a quarter of century later, on 1 March 1899 that the tax on slaughtering pigs was introduced throughout Java and Madura, with the exception of Tasikmalaya and Kedu where the tax was introduced a bit later in 1900 and 1901 respectively. In the Outer Islands, the tax was still being collected through the *pachtstelsel* until the end 1910s.³⁴ Another small tax farm, the sale of liquor, was

34 The regulation on the tax rate was changed year after year; initially the slaughter tax was f 3 for cattle and buffaloes, mature or immature, f 4 for horses, and f 1.50 for pigs; in 1922 the tax was raised: f 6 for cattle and buffaloes, f 8 for horses and f 3 for pigs. The slaughters of cattle or buffalo for religious purposes were exempt from the tax, but the local authorities had to give their approval. Any violation of the rule incurred a fined of f 25 (*ENI* 1917: 258)

officially abolished by Government Ordinance 13 December 1873. Instead of being taxed, liquor was made subject to excise duty (*accijn*) per January 1874, as were petroleum and tobacco. At that time, the government stipulated the excise duty on liquors would be 40 guilders per hectolitre (100 lt.) on alcoholic liquors 50 per cent or more proof. This rate was increased in January 1893 to 50 guilders and then 75 guilders per hectolitre in April 1915 (*ENI* 1917: 257).

The colonial government retained the former head tax (poll tax) farm, whose prime target was the Foreign Orientals, by incorporating it into the *bedrijfsbelasting* or business tax. Initially, the tax was introduced as a supplement to the *landrent*, which mainly affected the indigenous people. The *bedrijfsbelasting* on the Foreign Orientals was levied as a head tax and a property tax (*verponding*). In 1837, the tax was raised in some important areas in Java and Madura to compensate the annual loss of about 500 guilders caused by the abolition of the market tax farm (*pasarpacht*). The first comprehensive regulation on the business tax was issued in the *Staatsblad* 1878 no. 12. It stipulated a uniform tax rate throughout Java and Madura and the tax was levied on all indigenous persons and those enjoying the same right as they did, who ran businesses to earn their own livelihoods and those whose work involve trade, workshops, and small industries. In the Residencies Surakarta and Yogyakarta, the tax was levied only on the Foreign Orientals and the following groups were exempt from the tax: peasants, fisherman, salt-makers, head of villages and other government officers, teachers, tax farmers, female servants, women whose husband were tax payers and those had an income lower than 25 guilders per year (Ten Cate 1898: 43-44; Wolf 1926: 3). The regulation of the business tax was revised several times in response to economic change and the diversification of business throughout the whole country. In 1920 the business tax was merged into the income tax (*inkomstenbelasting*) and registered as a personal tax or tax on persons that included the Europeans. This tax was one of the most important taxes in the late colonial period.³⁵

35 The merger process of the tax was known as the unification of taxes (*unificatie van belastingen*) (Visser 1924: 44).

In spite of this fiscal income, the colonial government was still in need of more revenue to finance its growing activities in the Outer Islands and to find the extra it seized on two options: it raised the existing taxes and introduced new ones. One interesting example is the introduction of what was known as the war-profits tax (*oorlogswinstbelasting*) in 1917. It was introduced as part of a packet of the crisis regulations thought up to compensate government losses incurred during the war years. It was introduced to tax progressively 30 per cent of the short-term profits made by individuals during the war. The profit had to be certified as purely the result of the prevailing wartime conditions. In Java, the bulk of the tax was imposed on the sugar industry, which had benefited from the growing market demand and the rocketing price of oil on the world market during the World War I. This tax gave the colonial government a total revenue sum of as high as 193 million guilders. It was abolished in 1923, when the world economy had more or less recovered its normal condition.³⁶ As it was levied over a short period, the war-profit tax reflects the ‘innovative nature’ of the colonial state in finding new source of revenue collection.

By 1910, the colonial taxes in Java and the Outer Islands could be classified into four groups: taxes on persons, taxes on sources of income, taxes on individual incomes and taxes on transactions. Capitation tax and redemption of statute labour were among taxes on persons. Taxes on sources of income included land rent and other agricultural income and export duties. The tax on individual incomes was the biggest combination of taxes and included taxes on industrial and other incomes, capitation taxes in the Outer Islands, income tax, personal tax, import duties, excise, slaughter tax and liquor excise duty. The last category was composed of taxes on transactions, including stamp duty, duty on public sales, a tax on conveyance, estate and succession duty (probate), and harbour dues, including anchorage, mooring, and pilot dues (Paulus 1909: 122-23).

36 The tax on war profit had been introduced one year earlier in the Netherlands, and the Dutch needed another one and half years to introduce it into the colony (Vleming & van Gelderen 1923: 13).

The Fate of The Chinese Tax Farmers (*Pachters*)

The impact of the abolition of revenue farming on the Chinese tax farmers varied. For most of the Chinese *pachters* and their subsidiaries, this abolition policy came as a severe blow. In one fell swoop they were deprived of their semi-official status and the inherent privileges and social esteem this gave them, but also – more importantly – their long-term source of wealth. As the result of the cancellation of many of the licences for selling opium, managing pawnshops and collecting taxes on various commodities in which they had invested heavily, their financial losses were immense. Some of them also lost the subsidiary businesses that they had built up along-side their tax farms activities. These included shops, moneylending, and other businesses that for so long had guaranteed their access to rural markets in Java (Williams, 1960: 26–27). As the available data show that in 1890 there were about 7,000 Chinese involved in the tax farming business, this means that this was the number of people who had lost their jobs and had to find new ones.³⁷

It was reported that the businesses of many members of *cabang atas*, the holders of big tax farms, collapsed and they never recovered their economic position. Some of those tycoons were even impoverished and lapsed into disgrace, among them the once powerful opium *pachter* Tan Boen In, the holder of Kediri opium farm area (Rush 1990: 248). Various other notable Chinese figures or their heirs, who had previously held smaller-scale tax licences, also experienced a similar fate after the government cancelled their licences in the run-up to the introduction of *Regie*. The case of Kho Tjoen Tjiang, a Batavia-based *pachter* with the licence for Bengkulu opium farm area for 1901-1903, is a typical example. In 1905, the court charged him with failure to meet the conditions of the *pacht*-contract and ordered him to pay large debt amounting to 12,782 guilders. All too aware of his financial predicament, Kho Tjoen Tjiang fled to China to escape

³⁷ See Diehl (1993: 201). The total Chinese population in Java and Madura in 1890 was 243,213. It increased to 295,291 in 1905, and 384,453 in 1920; while Population Census of 1930 shows that the Chinese population had reached 582,431 persons (Boomgaard & Gooszen 1991: 135).

his debt and died there two years later. As he was now beyond its reach, the government decided to transfer the debt to his heirs and his guarantors, who were forced to sacrifice their property to satisfy the debt. Similar cases were reported from other areas in Java, among them Cirebon, Semarang, Banyumas and Kediri.³⁸ These *pachters* represented the sunset of the Chinese business networks that were based on the profit of revenue farming system.

However, it was not all doom and gloom. There was another side to the story that shows that some other Chinese *pachters* survived their financial straits by investing their capital in various modern economic sectors and hence retained their social status and reputation. Unfortunately, information about and evidence of how those *pachters* reinvested their money are extremely limited. The notable exception is of course Oei Tiong Ham. Unlike other *ex-pachters*, the evolution of Oei Tiong Ham's businesses is quite well documented and has been extensively studied.³⁹ This business group was indeed the most cited example of how a Chinese *pachter* chose to invest his capital in modern economic sectors, particularly the sugar industry, light manufacturing, housing, pharmacies, banking, and the import-export business after the abolition of tax farming (Dick 1993; Yoshihara 1989; Lindblad 2002: 141; Post 2011: 182-84).

Several studies show that the success story of Oei Tiong Ham concern can also be found on a smaller scale among many Chinese businessmen who invested their capital in modern economic sectors in Java and in the Outer Islands, mainly in trade, medium- and small-scale industry, and in the distribution sectors (The Siauw Giap

38 ARNAS/DvF/K.52.980. It is very likely that the government effort to reclaim the fiscal arrears from the troublesome opium *pachters* was also part of the process of introducing the *Regie* system. It took time for the government to settle all the financial obligations of these *pachters*, as the report of the final case (in this bundle) reached the desk of Director of Finance only on February 1913.

39 This can be attributed largely to the fact that his business empire was among the few Chinese business groups at the time that was operated using a modern management system according to European commercial law. Some of the studies of Oei Tiong Ham are Liem Tjwan Ling (1979), Yoshihara Kunio (1989), Jamie Mackie (1991), Howard Dick (1993), Twang Peck Yang (1998), and Peter Post (2011).

1989: 174-5; Brown 1994: 142-43; Dobbin 1989: 109-32; Dobbin 1996: 172). Their success can be partly attributed to their ability to come up with adjusted business strategies that conformed to the new government policies and the altered politico-economic challenges. They had attended Dutch schools where they received the education that enabled them to engage into the modern economic sectors and Western white-collar professions (Suryadinata 1978: 5-15; Didi Kwartanada 2013: 29-33). They made up the newly emerging middle-class businessmen in Java, a group that grew significantly in the 1920s and 1930s. They established family enterprises that operated in a vast range of economic activities from the capital-intensive technology sector, including sugar manufacture, to 'traditional' sectors such as peddlers and shopkeepers in almost every district of urban Java (van Niel 1960: 88). Prior to the World War I, the reinvestment of Chinese capital had already extended to all modern economic sectors in the Archipelago. Their economic role in the colony was no longer 'parasitic' but had been transformed into being 'constructive' (The Siauw Giap 1989: 171-73).

The existing estimates of the average income level of the Javanese population in the period concerned, such as those of van Zanden (2003:19) and van Zanden and Marks (2012: 118), indicate that contrary to what might have been expected, the abolition of revenue farming in the 1890s had no significance effect on the income levels of the Chinese. Using data from income tax payments, these studies show that the average level of income of Chinese and 'Foreign Asians' increased almost twofold from 629 guilders per household in 1880, a decade before the abolition policy, to 1,179 guilders per household in 1925, a decade after the tax reform had been completed. During this period, van Zanden and Marks even suggest that this population group managed to increase their real income by almost 48 per cent, which was better in comparison to Europeans let alone the indigenous people (van Zanden and Marks 2012: 117).

Table 5.1. The distribution of income among households and population groups in Java, 1880-1925

	1800				1925			
	Number (000)	Average Income (fl)	Share Income	Gini	Number (000)	Average Income (fl)	Share Income	Gini
Indonesian	3,939	146	0.88	0.32	7,114	201	0.72	0.32
Foreign Asiatics	57	629	0.05	0.64	129	1,179	0.08	0.54
Europeans	9	4,598	0.06	0.61	63	6,150	0.20	0.53
Total	4,006	163	1.00	0.39	7,306	270	1.00	0.48

Source: van Zanden and Marks (2012: 118, Table 6.3).

Another study reveals that by 1920, the numerous Chinese-owned enterprises already made up 25 per cent of all firms in the Archipelago but accounted only about 4 per cent of total equity. In this period, there were 700 Chinese firms registered, the majority in the commercial sector (Lindblad 2002: 116, 141). In 1930, among these Chinese firms there was one firm (the Oei Tiong Ham Concern) that had business assets of more than 80 million guilders. Seven firms owned not less than 10 million guilders and fifty owned one million guilders (Twang Peck-Yang 1998: 32, 37). The Directory of Agricultural and Trading Firms in the Netherlands Indies for 1940 lists more than 500 Chinese as owners of small-, medium- and large-scale businesses. Among the listed firms, twenty each managed to invest more or less one million guilders in Java and Sumatra, claiming a total capital of 75 million guilders (*Handboek* 1940). These facts prove that Chinese in Java and the Netherlands Indies in general had been successful in moving their capital from traditional economic sectors to new modern capitalist economic sectors such as banking, insurance, manufacture, mining, transportation, etcetera (Brown 1994: 142-43).

In this sense, the premise that revenue farming, the opium farms in particular, had provided a foundation for the establishment of Chinese capitalism in modern Indonesia and elsewhere in Southeast Asian countries seems justified. In the light of history, the tax farming system appears to have been a sort of transitional phase between 'traditional' or pre-market Asian mercantile practices and the more

fully modern corporate systems of the twentieth century (Trocki 2002: 314). Although it should again be stressed here, that not all of that Chinese capitals originated from the profits gained from the revenue farming activities.

From a legal perspective, the success of Chinese business also indicates that the pass and zoning regulation systems devised to restrict Chinese activities failed to have the effect the 1900 original plan intended.⁴⁰ The colonial government could not afford to stop the indispensable intermediary role of the Chinese in colonial economy. In the second half of 1910s, the attitude of the colonial government towards the Chinese grew more lenient. The most striking example of this was the abolition in 1914 of *politierol*, the police court administered by local Dutch authorities. This decision was taken in response to the mounting protests of the Chinese who considered the institution a source of grievance (Nio Liem 2009: 338-39). The shift in government attitude towards the Chinese was closely bound up with the political issues raised by the *Chineesche-kwestie*, which posed serious questions about their nationality and citizenship status in the Netherlands Indies. In March 1909, the colonial government was confronted with a new law issued by the Chinese government that claimed that all overseas Chinese born to a Chinese father or mother, were subjects of China (*jus sanguinis*). In reaction to this claim, on 10 February 1910 the Dutch government passed the law on Dutch nationality (*onderdaanschap*), based on the principle of *jus soli*, thereby asserting that all Indies-born Chinese were Dutch subjects. Once this law had been passed, the Dutch had to take steps to improve the legal

40 The pass and district system (*pasen- en wijkenstelsel*) was an old regulations (revived by van der Cappelen in 1823) forbidding the Chinese to move freely into the indigenous areas and forcing them to settle in special quarters assigned to the Chinese (*Chineesche Kamp*). The pass system required every Chinese travelling outside their zone to carry a pass that could be obtained after they had paid a fee and supplied the requested information, including the purpose, duration, destination and length of stay. The system reached its zenith in 1850, when the government issued various passes for different purposes: purely for travelling, for business, for intercity trade, for entering the villages to purchase agricultural produce, and for conducting other kinds transaction with the rural population. The government modified the zoning system several times, in 1835, 1854 and 1866, in response to the growth of the Chinese population (Nio Liem 2009).

status of the Chinese and provide them with better education, health and other services. The framing of this policy also implied that the Dutch intended to preserve and sustain the important economic role of the Chinese in their colonies. The new policy stirred up diplomatic tension between the Netherlands Indies and China. In Java, the policy drew the Chinese into a wider area of political activism, a situation that had never been seen before. The crux of the matter was the idea of Chinese nationalism began to exert a significant influence on various groups in the Chinese communities, which was heightened by the presence of so many recently arrived migrants from China. The outward and visible sign of this was the emergence of a growing number of socio-political organizations (Williams 1960; Suryadinata 1976).

From a fiscal point of view, the adoption of the *jus soli* principle meant that the Chinese were ‘citizens of the Netherlands Indies’, who had an obligation to pay taxes to the Dutch colonial government, like other population groups in this colony. The only difference was that, after the abolition of tax farming system, the colonial government dispensed with the use of the Chinese as partners in tax collection, and changed their status purely and simply to that of taxpayers (*belastingobject*). On account of their strong economic position, in this capacity the Chinese became the most important group after the Europeans. Under the new fiscal system, they were liable not only to the tried and tested taxes, but also had to pay new assessments such as *bedrijfsbelasting* (corporate tax) and *personeele belasting* (personal tax). The Chinese were liable to this corporate tax because of their civil status as *gelijgesteld met de inlanders* – of equal status with the indigenous people. For the *personeele belasting* that was assessed on such material possessions as houses, vehicles, furniture, horses; the Chinese position was considered equal to Europeans (Visser 1924: 142-43). In short, compared to either the Europeans or the indigenous people, the Chinese had to bear a double tax burden. Their predicament was the upshot of their unfortunate position in the colonial legal system that was based on a rigid race categorization and was dualistic in its operation (Fasseur 1994: 32-34; Lindblad 2002: 141). The obligation

to pay these two kinds of taxes alone, unequivocally illustrate the important contribution of the Chinese as taxpayers in the first decades of twentieth century.⁴¹

As their socio-political activism in Java stepped up, in the 1910s the Chinese began to question their position as mere *belastingsobjecten* or objects of taxation. Some Chinese institutions, such as the *Siang Hwee* and journalists at the newspaper *Sin Po*, became more vocal in their criticism of the government tax policy, that they deemed unjust and excessively severe towards the Chinese. They were very much aware that this problem originated from the dual position of the Chinese under colonial law. Therefore, they raised the tax issue as part of the *anti-Nederlandsch-onderdaansch* campaign sponsored by *Sin Po* in the 1920s.⁴² On an individual level, some Chinese businessmen tried to lighten their excessive tax burden in different ways, including altering the real profits in an audit or, in extreme cases, by voting with their feet and fleeing from Java. Oei Tiong Ham was among those who shook the dust of Java from his heels and sought refuge in Singapore in 1917–1918 in protest against the levying of a war-profits tax on his sugar business (Mackie 1991: 87).⁴³

The situation proved the weak bargaining position of the Chinese in their relationship to the colonial government, despite their unquestioned economic importance. It also confirms the premise of

41 From *bedrijfsbelasting*, the colonial government collected revenue from all the Foreign Orientals in the whole colony that amounted to a total sum of 789,14.53 guilders in 1905. In 1920, when the tax was merged with income tax, the colonial government collected total revenue of 5.45 million guilders from 91,816 taxpayers. Although it was recorded as total payment of all the *Vreemde Oosterlingen*, it can be assumed that, because of their number and economic position, the Chinese contributed the largest share. Referring to matters in Batavia, Semarang, and Surabaya in 1900, Lohanda – for example – calculated that the Chinese accounted for about 90 per cent of the total yield of non-lease tax in the same period. The remaining 10 per cent was the share by the Arabs, Japanese, Indians and other Foreign Asians (Lohanda 1996: 188).

42 “De Chineez-en-kwestie”, *De Indische Gids*, Vol. II, 1927, p. 543; Suryadinata (1976: 34); Lohanda (1996: 150).

43 Yet, Kunio Yoshihara (1998: 144) argues that Oei Tiong Ham’s major reason to move to Singapore was actually related to his strategy to solve the problem of inheriting business to his 26 heirs (13 sons and 13 daughters). He preferred to choose Anglo-Saxon law of Singapore rather than Dutch civil law to settle the problem.

the classic middleman minority theory, that stated that the Chinese in Java were in a position in which they had to serve the interests of superior Dutch colonial administrators without having any power of dissent whatsoever, even though they formed the indispensable link between the mass of Javanese peasants and the local and regional markets. During the late colonial period, the Chinese position remained unchanged; most were still confined to the function of the middleman-trading minority, although an increasing number of the Western educated younger generation began to occupy the newly emerging professions in urban Java (Wertheim 1964: 42-82).

Conclusion

This chapter contains a detailed discussion of the fiscal reform process that the colonial government launched at the turn of twentieth century. Although, not dignified by any official statements, this tax reform was implemented as part of the larger aspirations of the 'Ethical Policy', namely to raise indigenous welfare. The abolition of the tax farming system was one of the most important points on the tax reform agenda. In its search of data to justify this policy, the colonial government collected factual evidence of the adverse effects of the system on the indigenous society. The reform was implemented through three different measures: complete abolition, conversion into state directed taxation and replacement with a state monopoly (*Regie*). The first measure was applied to toll bridges, the market tax farm, the forest exploitation tax and that on palm sugar. The second measure was taken to reform the following tax farms: the slaughter of cattle and pigs, the edible bird's nest trade, the sale of liquor, tobacco and fish and the Chinese gambling and poll taxes. The third measure was brought in to reform the financially significant tax farms on opium, pawnshops and salt production that required infrastructural support for their operation. The government believed that *Regiestelsel* was the best option to correct the 'past wrongs' that had emerged from the *pachtstelsel*.

The colonial government launched the first two measures without encountering any difficulties, but when it came to introducing the *Regie* system it met with stubborn resistance from the Chinese tax farmers. This defiance arose partly because the tax farming system had been controlled by the Chinese *pachters* and their subsidiaries to such a degree it had become impenetrable to outsiders. Because of its complicated nature, the introduction of the *Regie* was necessarily a gradual process, and the government hastened slowly, making meticulous preparations by means of investigations, comparative studies, and experiments. In the course of the process, new sets of regulations, judicial grounds and organizational improvements were introduced to ease the introduction of new fiscal system. By the end of 1910s, the government had completed all the preparatory steps. Most of the former small tax farms, such as the slaughter tax, the liquors and tobacco taxes, and so on had been transformed into government collected taxes; while the government opium and pawnshop monopolies (*Opium-* and *Pandhuisregie*) had officially replaced the opium and pawnshop farms in the wake of the already operational salt monopoly (*Zoutregie*). The introduction of these *Regies* created new opportunities for the young newly emerging indigenous middle class who had graduated from the government schools and were keen to make a career in the governmental bureaucracy, and it led to the further development of a modern-rational administration of the colonial state in the Netherlands Indies.

For the Chinese tax farmers, the abolition of revenue farms, especially the opium farm, was an enormous blow, as they lost their most valuable source of income. Some of them also lost other businesses related to the opium farms, such as money lending, pawnshops, trading, government transport, and so on. Some of the most prominent opium farmer families went bankrupt and never recovered, although many other Chinese survived, saving their reputations and businesses by investing their capital in various modern economic sectors. Meanwhile, the Chinese ordinary people who had previously been involved as employees of the revenue farms now struck out on their own to find their fortunes in various economic sectors. The abolition

policy ushered in the strict dismantlement of the role of Chinese as active tax collectors for the colonial government. Instead, they became tax objects (*belastingsobjects*), just like the other population groups, who were obliged to pay various colonial taxes. As taxpayers, the Chinese were the second most important group after the Europeans, from whom the colonial treasury received considerable revenue.

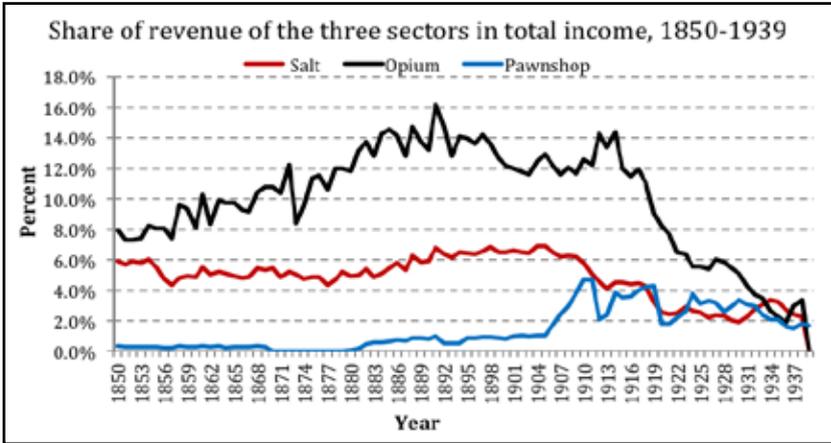
By the second decade of the twentieth century, the colonial government had turned Java and the Netherlands Indies in general into a 'modern' fiscal state. The government modernized its bureaucratic apparatus to such an extent it unified the vast archipelago under one single fiscal administration. Under the new tax system, after the Netherlands Indies government issued the law of the Netherlands subjects (*Onderdaanschap*) in 1910, the terms of colonial citizenship were founded on a firmer legal basis. This law stipulated that all members of the population born in the Netherlands Indies were Dutch subjects. From a fiscal point of view, this meant that they were subject to the Netherlands Indies tax system and fiscal policies. Logically, the next questions to be answered have to do with how these new tax policies worked in practice and their consequences for society at large. Chapter 6 will contain a more detailed discussion of these issues.

— CHAPTER 6 —

THE REGIESTELSEL AND THE LATE COLONIAL STATE: THE STATE MONOPOLIES AND THEIR CONSEQUENCES, 1915-1940

This chapter investigates the operation of the three state monopolies: the *Opiumregie*, *Pandhuizenregie*, and *Zoutregie* in different parts of the Netherlands Indies, Java in particular, and the social consequences of this. As fiscal institutions, their financial contribution showed a positive trend, delivering substantial sums of revenue to the colonial state finances. Figure 6.1 illustrates the long-term share of these three commodities in the total income of the Netherlands Indies. It also shows that the government reform programme launched in the early decades of twentieth century had in fact boosted their revenue contribution, that of the pawnshop monopoly in particular, that peaked at the level of 20 per cent, although then they returned to pre-1900 level and even lower before the end of colonial period.

Figure 6.1. Share of revenue of the three sectors in total income, 1850-1939



Source: Mellegers (2004); data of total income is taken from *CEI 2* (1976: Table 3 & 4).

From an administrative point of view, the financial success of the state monopolies in opium, pawnshops and salt signalled the success of reform agenda that the colonial government launched since the mid-1890s. These organizations were part and parcel of the most advanced stage of the colonial state administration that integrated the whole Archipelago into one cohesive political economic and administration polity centred on Batavia. As a political entity, this new type of colonial state: 'was more than a colonial possession, more than an overseas appendage to mother country, yet less than a sovereign nation' (Lindblad 2002: 113). Current historiography has specifically labelled this new colonial administration 'the late colonial state', and it did not stand alone, similar constructions also emerged elsewhere in Asia in the early twentieth century.

The 'lateness' here refers not only to the period of its existence but also, more importantly, to various characteristics that singled it out from its predecessor. Darwin (1999), for example, argues that from a comparative perspective the late colonial states in Asia and Africa displayed, but not simultaneously, the following characteristics:

proactive or developmental, dense institution, big state, security state, self-destructive and open state. Useful as handles, obviously these concepts cannot be relied on fully to understand the utilization of certain elements of the colonial state administration, such as in taxation. As Darwin (1999: 75) has pointed out, the concept of 'the late colonial state' cannot be treated merely as a synonym for the colonial government and its administration, but should be viewed as a wider concept of the contestation of powers and interests.

However, for the present study, they are useful to test how different were the utilization of new fiscal policies was compared to the efficaciousness of their predecessors especially after the late colonial state in Indonesia introduced the Ethical Policy, a 'developmental and welfare-oriented policy', under which all fiscal instruments, including state enterprises, were expected to operate for the benefit of, or at least not affect the indigenous population detrimentally (Houben 1994: 191-192). Using this as a guideline, the following questions will be addressed in this chapter. How and in what way did the state monopolies work and what were their social consequences? Given fact that these state monopolies were still profitable, were their operations based on profit-orientation rather than 'moral considerations' as promised by the Ethical Policy? What does an evaluation of these monopolies say about the nature of late colonial state in Indonesia? In an attempt to answer these questions, this chapter investigates the operation of each monopoly in detail from their introductory stage in the early twentieth century up to the end of Dutch colonial administration, and examines their wider consequences for state finances as well as for the socio-economic life of local population.

The Opium Monopoly (*Opiumregie*)

From the outset, the *Opiumregie* or Opium Monopoly was meant to be a compromise to bridge two contradictory perspectives prevalent among colonial administrators in the hope of finding an answer to the problem of opium (*opiumkwestie*) in the Netherlands Indies: fiscal (financial) interests and humanitarian concerns (Rush 1990; van Luijk

& van Ours 1998:6). From a fiscal point of view, the *Opiumregie* was expected to be more efficient and profitable than the previous opium farming system, regaining revenue that had been previously found its way into the pocket of Chinese opium farmers. Furthermore, humanitarian concerns, as reflected in its mission statement, adduced the idea that by controlling the whole chain of the opium business, import, manufacturing, distribution, and smuggling surveillance, the colonial government could mitigate all opium-related problems. Theoretically, the *Opiumregie* would produce a standardized quality of opium with a minimum health risk, set a higher price of opium to discourage demand and consumption, diminish the violence, corruption and criminality inherent in opium smuggling and the illegal market, and mitigate the problems of addiction and indebtedness (van Our 1995: 263; Chandra 2000: 102).

Opium Profit and Debate

It is no contest that *Opiumregie* was the most profitable government monopoly, especially after 1915 when the transitional process from revenue farming to state monopoly was completed. Even during the two decades of the transitional period from 1896 to 1915, as Table 3.3 indicates, the *Opiumregie* still contributed a significant revenue sum amounting to around 120 million guilders or 9 per cent of total revenue. Table 6.1 shows that the positive trend of the opium revenue continued until 1930, when it was checked by the 1930 crisis. Up to 1940 the *Opiumregie* had collected a total revenue 743.3 million guilders, constituting 70 per cent of total profit from the state monopolies, in which their share in the total income was about 10 per cent per decade (on average). No wonder that at the First International Opium Conference in Shanghai in 1909, the Netherlands Indies government was very optimistic about the prospect promised by the *Opiumregie*, and also claimed it was a better system of opium administration than opium farming (*Report of the International Opium Commission* 1909: 299).

For those people with humanitarian concerns, the financial success of the *Opiumregie* was scandalous evidence of the debauchery of the

colonial government in Batavia. J. F. Scheltema, former editor of *De Locomotief*, for example, criticized the Dutch colonial government for being 'hypocritical' on the grounds that its *Opiumregie* policy was conspicuously more profit-oriented rather than ethical. In his words:

“The *Opiumregie* was degraded in form and practice for practical purposes, i.e. for the greatest advantage to the ravenous exchequers; working worse havoc than the opium farm used to do, and bringing opium and extending the opium habit, to large swathes of the country where no opium had been allowed under the opium farm, the regions hitherto closed to opium, the *verboden kringen* that the government had promised to expand as a working-base for making the whole island of Java opium free” (Scheltema 1907a: 103).

Scheltema also castigated the *Opiumregie* as even more immoral, especially on the grounds it allowed women to consume opium in special female dens. Under the opium farm system no women had been reported smoking opium, they were not allowed into any of the licensed opium dens. Therefore, Scheltema concluded that the *Opiumregie* had betrayed the very idea of the 'Ethical Policy' that had now succumbed to the desire for profit (Scheltema 1907a: 104).

Scheltema's indictment was echoed in the Dutch Parliament, when some members rebuked the colonial government for its policy of deriving profit from the opium business. They demanded the colonial government formulate new measures to reduce the opium trade and opium consumption in the colony. It would not be hard to draw a link between these demands and the involvement of the Dutch in the series of International Opium Conferences (1909 and 1911-1914) that discussed the problem of international opium trade and opium consumption. Although the first conference was organized as 'fact-finding meetings', the last two conferences did succeed in formulating an actual concrete treaty known as "The Hague Opium Convention of

1912'.¹ Observers noted the peculiar Dutch position at these meeting and in the ratification process of the Convention that could be said to have been 'hesitant' (Chatterjee 1981; de Kort 1994: 12). At the first conference in Shanghai, the Dutch delegation defended its *Opiumregie* system in the colony, and at the Opium Convention of 1912 the Netherlands was the last of the participating countries to ratify it, on 28th July 1915. In compliance with this ratification, the Netherlands government enacted the 1919 Anti-Opium Law prohibiting the transportation of opium and the opium trade in its territory (de Kort 1994: 13). Although the delegates signed on the dotted line, in the Netherlands Indies this commitment never materialized as for economic reasons the Dutch retained Opium Monopoly system until the end of their rule in 1942.

The early years operation of the *Opiumregie* have also been a subject of debate among current scholars. In their article, the Dutch scholars van Luijk and van Ours (2001) argue that the introduction of *Opiumregie* had at least two direct effects, namely an ensuing fall in opium consumption and the removal of the profit incentive from opium sales. The first effect was related to the changing morphine content that was the only determinant factor of the opium price. Using the new technology available for refining opium, the official *Opiumregie* factory produced less-addictive *candou* with a reasonable morphine content of about 10-13 per cent (with an average of 12 per cent), about 8 to 10 per cent lower than the traditionally produced of opium. With this morphine content, the price of the revenue-farm opium morphine was 6,250 guilders per kilogram, while the price of *Opiumregie* morphine was 3,750 guilders, meaning that the price of morphine fell by about 40 per cent (p. 15). Looking at the incentive

1 The first conference was organized in Shanghai in 1909, while The Hague hosted the next two conferences in 1911–1912. Besides the Netherlands, other participating countries were Great Britain, France, China, Spain, Japan, and the United States of America. The last country was the main driving force behind these conferences, and it ardently promoted 'anti-opium crusade' and wanted to force all the participating countries to stop their involvement in trading opium, cocaine and other drugs. For the review of these conferences see Chatterjee (1981) and Musto (1987), and for the Dutch perspective on the Opium Convention of 1912 see Ed Leeuw, *et al.* (1994) and de Kort (1995).

issue, van Luijk and van Ours (2001: 16) argue that the *Opiumregie* had successfully removed the profit motive from opium sales for the simple reason that the state officials on a fixed salary, now ran the institution. A stark contrast to the situation prevailing under the revenue-farm system in which profits motivated private interests to pursue a monetary goal by selling as much opium as possible and encouraging mass opium consumption.

Table 6.1. Opium sale and revenue, 1916-1940

Year	Opium Sale (in kg)			Opium Revenue (Gross in f 1,000,000)			Opium Profits (Net)	Profit as per cent of Opium Revenue	Opium as per cent of Total Revenue
	Java and Madura	The Outer Islands	Total	Java and Madura	The Outer Islands	Total			
1	2	3	4	5	6	7	8*	9*	10*
1916-20	264,669	392,252	656,921	111	97.4	208.4	163.7	78.8	9.6
1921-25	143,588	163,262	306,850	111.5	95.5	207.0	163.5	79.0	5.9
1926-30	114,785	169,386	284,171	89.2	107.3	196.5	154.9	78.8	5.4
1931-35	46,011	63,723	109,734	35.7	40.2	75.9	53.2	68.6	3.7
1936-40	40,909	61,025	101,934	20.7	34.8	55.5	38.5	69.0	2.2

Sources:

- Data in Columns 2-7 are compiled from the annual reports of the Opium-regie, *Verslag betreffende den Dienst der Opiumregie* (VOR) (1915-1933) and the Opium and Salt-regie, *Verslag betreffende de Opium- en Zoutregie en de Zoutwinning* (VOZR) (1934-1940).
- *Data in the Columns 8 and 9 are taken from Chandra (2000: 104), who used data in *CEI* Vol. 2 (1976:43-44) as benchmark for total revenue of the Netherlands Indies from 1914-1939.

Chandra (2002: 1116-1121), an American economic historian, challenges these interpretations, arguing that instead of reducing opium consumption and removing the profit incentive, during the first decade of its operation the *Opiumregie* had caused opium consumption to rise, as the officials administering it still had strong incentive to sell more opium for a larger profit. Using official statistics from the *Regie* service, Chandra notes that opium consumption in Java increased considerably after the introduction of the *Opiumregie*, so much so in

fact that by 1914 it was more than 30 per cent higher. To back up his argument about profit incentive, Chandra cites several passages from Rush (1990) to show that the replacement of profit-oriented opium farmers by government officials had no effect at all on reducing opium sales. He insists that these newly appointed employees felt a 'multilevel push' to increase the sale of opium to such a degree that expanding opium sales beckoned as an achievement that would enhance their reputations with their superiors. Unsurprisingly, the upshot was an increase in the opium market in Java during the first decade of the operation of *Opiumregie*, from 1904 to 1914, demonstrating a 'profit consciousness' that was fuelled by 'Dutch greed' (Chandra 2002: 1121).

Responding to Chandra's criticism, van Luijk and van Ours (2002: 1122-24) argue that their analysis focuses on the period prior to the introduction of *Opiumregie* in 1904, whereas Chandra's analysis works with data from the period of 1904–1914. Therefore his analysis cannot be used as a proper comparison and hence does not invalidate their findings. They believe that what happened with opium consumption after the introduction of the *regie* was influenced not only by the change in government policy but also by more complex factors, including income, opium prices and demographic development. Turning to the 'profit-oriented' aspect of the *regie*, they insist that neither government policy nor the surviving official documents give the slightest inkling that the Dutch government intended to maximize income from the *Opiumregie*. On the contrary, the official government reports claim that the target of the *Opiumregie* was the gradual reduction of the opium consumption. They admit that there were tensions between policy and implementation, some of the opium officials were guilty of misconducts, but – they thought – that generally speaking not all opium officials were inspired by a personal profit motive and could be tarred with the same brush (*Verslag betreffende den Dienst der Opiumregie*, hereafter *VOR*, 1915:35-37).

A longer-term review of the statistical evidence provided by the Government Opium Service from 1914 until 1940 justifies the findings of Van Luijk and Van Ours, namely that prior to the

WW II Dutch government revenue from opium declined. Table 6.1 demonstrates that the total opium revenue from the *Opiumregie* decreased from 208.4 million guilders in 1916-1920 or about 9.6 per cent of total revenue to 'only' 55.5 million guilders or 2 per cent of total revenue in 1936-1940. The amount of opium sold by the *regie* in the same period also decreased considerably from a total of 12,128 *thails* to 2,843 *thails*. The same can be said for the net opium profit, which also showed a decline from 163.7 million guilders in 1916-1920 to 38.5 million guilders in 1936-1940. But, the profit margin of the *Opiumregie* over the entire period was still very high (more than 60 per cent on average).

Chandra (2000: 101-23) is convinced that the decline cannot be attributed to any achievement on the part of the government *Opiumregie* at all, but it was purely a consequence of exogenous factors, particularly the economic recession in 1920-1923 and the Great Depression of the 1930s when opium consumption fell as a result of the rise in general prices and the weakening of the purchasing power of the population. It seems Chandra is underestimating the effectiveness of the role of colonial government in the anti-opium campaign, although the evidence shows that after the 1920s the colonial government did provide financial support and made efforts, with the help of 'civil society', to promote an anti-opium campaign in the colony. Another contributory factor was that the rising popularity of tobacco and the emergence of such new drug as cocaine had reduced the use of opium as a popular leisure drug (Cribb 1988: 702; Trocki 1999). In a nutshell, the decline in opium consumption and government opium revenue is a complex story in which various domestic as well as international factors were involved.

One notable development was that from the mid-1920s the concentration of opium consumption had shifted from Java and Madura to the Outer Islands, Sumatra in particular. The data in Table 6.1 demonstrate clearly that opium revenue from the Outer Islands began to surpass that from Java in 1926-1930, when these regions as a whole contributed 107.3 million guilders revenue, 18.1 million higher than the opium revenue from Java. This trend continued until the end

of the colonial regime in 1942, by which time the opium contribution of the Outer Islands had reached more than 60 per cent of the total opium revenue. There are at least three factors that explain this shift. First and foremost was that the growing expansion of government and private investment in the regions, particularly in mining, plantations and the oil industry, had boosted economic development in what were once peripheral areas and concomitantly the purchasing power of the local population, especially in Sumatra (Touwen 2001; Dick *et.al.* 2002). This led to the second factor, namely the growing influx of Chinese coolies into these regions to work in plantation areas like in Deli, North Sumatra, or in the tin-mines on Bangka and Belitung, in the Riau Islands.² The fact that most of the Chinese were either already in the habit of smoking opium or acquired it soon after their arrival meant that their growing numbers in these regions consequently drove up opium demand there. This point will be discussed in detail later. The third factor was that, compared to Java, the Outer Islands were less subject to an intense of anti-opium campaign either by government or 'civil society', a situation leading to the fact that opium consumption there was far less inhibited. The vast coastline of Sumatra proved a tremendous obstacle to local Dutch administrators trying to suppress the influx of illegal opium from the opium hot spots of Singapore and Penang (Trocki 1990; Tagliacozzo 2005).

This regional shift in opium consumption was also related to the opium price policy and reorganization of the opium distribution network. In 1920, for example, the government decided to sell opium at a nominally lower price in the Outer Islands, ranging from 16–20 guilders per *thail* to that at which it was sold in Java and Madura, 24.9 guilders (or about 623 guilders per kilogram for the Outer Islands and 777 guilders per kilogram for Java and Madura). This opium price set-up remained unchanged until the end of the 1920s, when the colonial

2 The 1930 Census revealed that the Chinese population in Sumatra had numbered around 0.4 million, while in Java-Madura was around 0.6 million. Hence, in total the number of the Chinese population was 1.3 million out of 60.4 million total population of the Netherlands Indies. From this number, those Chinese born outside the Indies was about 37 per cent for Java and 82 per cent for Sumatra respectively (*Volkstelling* 1930, Deel VII, 1936).

government decided to set a flat rate for the whole Archipelago at 30 guilders per *thail* in 1930. The *Opiumregie* had also managed to reduce the number of opium stores in Java and Madura significantly from 755 units in 1920 to 599 in 1925, but this drop was far less obvious in the Outer Islands where the reduction ratio was from 575 to 463 stores. This indicates that opium supply in Sumatra was fairly stable because of the growing rate of consumption, particularly among Chinese workers (*VOR* 1920, 1925).

The above-mentioned opium price refers exclusively to *candu*, the main product of the *Opiumregie* factory. This ready-to-use drug was sold in different packages with varying amounts of content. The opium factory bulletin of 1908 reported that it produced *candu* packaged in a metal tube with the following amounts of content: ½, 1, 2, 5, 12½, 25 and 30 *mata*. Using modern chemical technology, the morphine content was kept stable at an average of 11–13 per cent. This quantity was considered less addictive and less harmful to health. The other two products of the *Opiumregie* factory were *tike'* and *opiumpillen*. The first was a cheaper but popular opium product that was made by mixing the drug with *awar-awar* leaves (*ficus septica*). It was sold in metal capsules each containing 1/3 *mata*. *Tike'* was sold mostly in the eastern part of Java, notably the Residencies of Madiun, Kediri, Malang and Pasuruan. The opium pill contained only a small amount of *candu* and was produced as an alternative for opium addicts who wanted to kick their addiction. This was very popular among Chinese workers in mining industry areas like Bangka. Apart from these processed forms of opium, the *Opiumregie* also sold raw Levant and Bengal opium in some areas in the Outer Islands. The first was sold in tube containing 1 *thail* in the Residency of Tapanoeli, and the second in different sizes of tube in Bali, Sumbawa, and the Karo Lands in the hinterland of Sumatra's East Coast (*Opiumfabriek Verslag over 1908: 5-7*). The most popular cheaper opium in the colony was what was known as *ditjing*. This was actually the residue of opium left behind in the pipe after smoking but still containing a fairly high morphine content from which a smoker could prepare another pipe or mix it with coffee or tea. The government was concerned about *ditjing* and its distribution,

its biggest headache being that that it was wont to be sold illegally. Therefore, the *mantri* opium were required to collect *ditjing* from all the opium dens and send it back to the factory to be recycled into *candu*. However, this plan was often obstructed because corruption hampered the process of collecting this type of drug (*VOR* 1915: 8-9).³

Besides the opium revenue, the *VOR* for 1923 reveals that from 1920 the Dutch had begun to make a profit from cocaine, a new narcotic commodity that became popular as a painkiller during WW I. Dutch interest in the cocaine trade commenced in the mid-nineteenth century and developed rapidly after 1880 when this product burgeoned on the international market. Unlike opium that was imported from India and Turkey, the Dutch cultivated the coca bush (*Erythroxylum coca*), native to the Andes in Latin America, to produce their own cocaine. After conducting a series of experiments, in 1883 the government botanist began distributing this new plant to the indigenous plantations in Java, Madura and various parts of Sumatra. Initially, coca was planted as a supplementary crop with other primary crops such as tea and rubber, in a limited area. Between 1890 and 1900, for example, the total area of coca plantations was only about 202 hectares, mostly around the “Tjipetir” rubber plantation in Sukabumi, and yielded only a modest harvest. The establishment of a cocaine factory in Amsterdam in 1900 boosted the production of coca in the colony (*VOR* 1923: 36). Until 1940, Java was one of the biggest producers of coca leaves in the world, following hard on the heels of Venezuela and Peru, and the Netherlands emerged as one of the biggest suppliers of cocaine to the world market (Karch 1999: 148; de Kort 1999: 129).⁴

3 The case of Mas Kardjo, opium *mantri* at Pasar Senen, Batavia exemplified this type of corruption. In a letter to the head of opium service dated 30 September 1919, the Resident of Batavia reported that Mas Kardjo had corrupted the *ditjing* collection, selling it to a third party, costing a total loss of 13,065 guilders. Mas Kardjo had to resign from his post and sent to jail. ANRI/DvF/K.52.981.

4 The association of coca plantation companies reported that during the period 1922-1930 coca productions in Java was 7.4 million kilograms but this declined considerably to 1.4 million kilograms in the period of 1931-1940. During these two periods the bulk of the coca from Java was exported to the Netherlands, Japan and Germany. On a smaller scale it was also exported to France, America, England, and Taiwan. From 1927 until 1934,

Opium Distribution and Consumption

Besides regulating opium price at a level high enough to discourage consumption, the *Opiumregie* introduced a licensing and registration system as an instrument by which to control opium consumption. The registration process of opium users was begun around 1910, and the licensing system followed a few years later. The original primary objective was to curtail the number of opium users and to limit the amount of opium they consumed. Therefore, the *Opiumregie* sold opium only to already active users older than eighteen who were now required to have a licence. The *Regie* established a formidable procedure for obtaining one of the new licences. Applicants were asked to get permission from local administrators (from district heads to Residents) declaring that they had sufficient income or the basic economic capability to purchase legal opium regularly. More difficult was the requirement that they should enclose a doctor's certificate with their application declaring that they were really addicted to consuming opium.⁵ The licence was valid for one year only after which those who wanted to renew their licences had to follow a similar application procedure. By and large, the administration of this licence application procedure was implemented much more strictly in Java and Madura than in the Outer Islands, and a tighter rein was kept on indigenous population in comparison to Chinese immigrants, especially those living on the estates and in the mining areas of the Outer Islands (*VOR* 1915: 15; van Ours 1995: 267).

the price of Java coca leaves was 50 guilders per *picul*, but from 1935 the price reached 750 *Reichmark* (R.M.) per kilograms. This means that in the period of 1922-1930 the colonial government gained revenue as high as 1.16 million guilders from the export of coca leaves (1 *picul* = 60.47 kg). NA/N.V.Nederlandse Cocainefabriek/2.20.04.

- 5 A bundle of archives, ANRI/DvF/K.52.973, for example, was filed with the applications for new opium licence. In one of his letters to the Director of Finance dated 10 December 1923, Luchsinger – the Head of Opium Service, reported that in that year the number of applications for new opium licences submitted by Javanese and Chinese from various parts of Java had increased considerably. Most of the applications were turned down because of failure to meet the requirements, especially the doctor's declaration of their opium addiction. Luchsinger expressed his concern that these rejected applicants would turn to illegal opium and that this would escalate the scale of opium smuggling in Java.

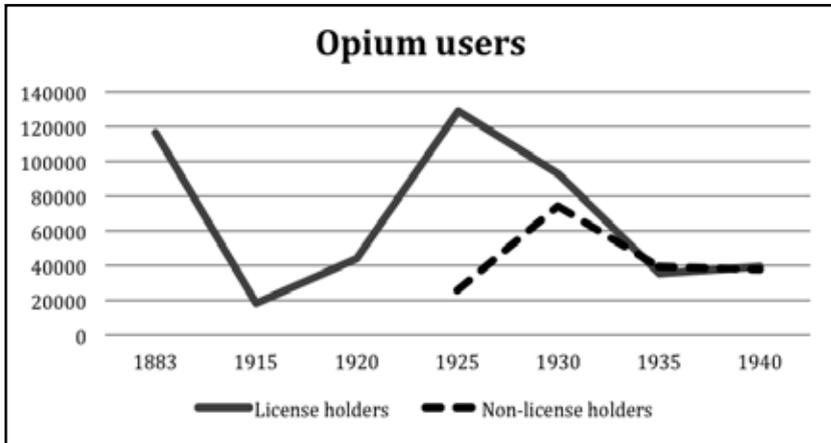
This did not mean that these registered opium users or licence holders were able to buy and consume legal opium freely. The opium administrators prescribed that they could purchase only a limited amount of *regie* opium per month, stated clearly on their licence card. Furthermore, they were allowed to buy opium only once a day from the nearest official opium supplier whose logo was stamped on their licence cards each time they bought opium. Exemptions were granted to those licence holders who lived far away from the official opium suppliers; they could send a representative to buy an amount opium higher than the allocated quantity. This practice was called *titiplicenties* (consignment licences), and was popular among isolated Chinese workers in the Outer Islands (*VOR* 1915: 7). This thorough control procedure was applied up to the mid-1920s, when the government loosened it a bit after it had come under the impression that the system had triggered a rise in opium smuggling. It seems that, prior to the crisis years, the average legal purchase of opium per registered user had tended to decline far below the allocated maximum limit (van Ours 1995: 268).

As might have been expected, there was indeed a regional variation in the operation of this licence and registration system, since the Opium Service adopted a regionally differentiated approach by dividing the *Opiumregie* areas into: restricted areas (*verboden kringen*), less restricted areas (*verboden kringen met licentiestelsel of registratie*) and least strict areas. In the restricted areas, opium use was completely prohibited, although in cities within these areas, particularly in the Chinese settlements, opium use was allowed for licence holders. As its real goal was to suppress opium consumption, the government tended to expand these opium-restricted districts year by year. By 1915, the forbidden areas included the old *verboden-kringen* the Priangan Regencies, several districts in Banten, Batavia, and Pasuruan, and several districts in the Outer Islands namely the Aru Island, Karo Lands of Sumatra's East Coast, Lombok and the Principality of Cakranegara in Bali (in total 17 districts). The remainder of the *Opiumregie* areas were under less or least strict regulation, where people with a licence or registered users were allowed to purchase and consume opium.

There were only ten districts declared as free areas, including the plantation areas of Sumatra's East Coast and the mining areas of Bangka and Belitung (*VOR* 1915: 14-15). The reason for this regional differentiation strategy was that the level of the opium smoking habit in the colony varied from one region to another, particularly among indigenous people to whom the strictest opium policy applied. In the forbidden areas, it was believed that the opium smoking habit among the indigenous people was less widespread. In these areas, only a small number of people fell into the habit, and it seems that Chinese in the cities were opium smokers. In the less and least restricted areas, in which substantial Chinese communities were living, the opium smoking habit was almost as common as drinking alcohol in Western countries (van Luijk & van Ours 1998: 8). This regional differentiation was subject to modifications because the colonial government did keep trying to expand the restricted opium districts, even within the less and least restricted areas.

Figure 6.2 shows the number of opium users throughout the entire Netherlands Indies before and after the introduction of *Opiumregie*. TeMechelen's opium investigation revealed that the number of opium users in Java and Madura in 1883 was about one million (see Table 4.9). The data on the graph refer only to those categorized as highly addicted opium users. The fact that the registration system of the *Opiumregie* listed only the addicted users and only became more reliable after 1920 makes the data on the number of opium users in 1883 more comparable to the data of registered opium users in the year of 1925. In 1883 the number of addicted opium users was 116,852; about four decades later it had increased to 129,289. This means that the number of addicted opium users remained fairly stable or perhaps rose slightly. It should be borne in mind, that the increasing number of registered opium users up to 1925 did not necessarily mean an increase in opium consumption. It was only after 1930 that the number of opium users showed a real declining trend.

Figure 6.2. Opium users in the Netherlands Indies: 1883, 1915-1940



Sources:

- Data for year 1883 were taken from TeMechelen's *Opium Report* (1894), while data for the years 1915-1940 were from the *VOR & VOZR* report series, 1915-1940.
- Opium users of non-licence holders were those who settled and bought opium regularly in the 'free opium areas', especially in the Riau Islands, Bangka and Belitung.

The regional distribution and ethnic composition of the registered opium users is presented in Table 6.2. It shows the magnitude of legal opium consumption under the *Opiumregie* System, although the real number of opium users and their consumption might have been higher than the data presented suggest. The reason for this ambiguity is that opium smuggling and the illegal market were also developing apace with the growth of the *Opiumregie*. One notable impression given by the data is that the number of registered opium users reveals an extreme fluctuation, particularly between the years 1920 and 1925. I assume this had to do with the registration process itself rather than the actual growth in opium consumption. The registration of opium users was really only efficacious after 1925. The data also show that the number of registered indigenous opium users in Java was much higher than in the Outer Islands, but that the majority of Chinese

users were concentrated in the Outer Islands. In general, until 1940 quantitatively speaking the indigenous people still formed the biggest group of opium users, although in the early years of the registration system, Chinese opium users seem to have been keener about and hence more active in registering. In 1915, for example, registered Chinese users – mostly from the Outer Islands – constituted almost 79 per cent of total registered users. In later years, the number of registered indigenous users rose dramatically until the 1930 crises set it back to the previous level.

Table 6.2. Total registered opium users, 1915-1940

Year	European		Chinese		Indigenous		Netherlands Indies			Total Opium user
	Java	The Outer Islands	Java	The Outer Islands	Java	The Outer Islands	Euro-pean	Chine-se	Indige-nous	
1915	12	1	1,323	11,192	2,670	2,881	13	12,515	5,551	18,079
1920	9	2	2,359	7,897	29,294	4,312	11	10,256	33,606	43,873
1925	7	2	12,628	27,897	82,264	6,491	9	40,525	88,755	129,289
1930	5	0	9,496	10,808	68,841	3,680	5	20,304	72,521	92,730
1935	2	0	5,552	4,609	27,462	1,870	2	10,161	29,332	39,495
1940	4	0	6,151	4,232	28,445	1,260	4	10,383	29,705	40,092

Source: *VOR* 1915-1930 and *VOZR* 1935-1940.

Table 6.2 also shows that in 1925 and 1930 the number of registered opium users reached its peak with a total 129,289 and 92,730 users, although their percentage to total population was still very small (less than 1 per cent). Another notable insight provided here is that geographical and ethnic distribution of these registered opium users was still very much identical to the ‘traditional’ pattern of opium consumption of the nineteenth century. In Java and Madura, Semarang and Surakarta in Central Java and Surabaya, Madiun and Kediri in East Java were the main centres of opium consumption, with more than 10,000 opium users on average registered, including Chinese who ranged from 300–1,750 users. In the Outer Islands, Sumatra’s

East Coast and Bangka stood out as two biggest opium consumption areas. In the former region, where numerous Chinese and Javanese labourers toiled on the vast tobacco plantations, 22,269 Chinese and 2,796 indigenous people registered themselves as legal opium users. In the latter area, on the hub of tin-mining industry Bangka, more than 3,300 Chinese workers and thirteen indigenous opium users were registered (*VOR* 1925: 34-35).

The increase in registered opium users in the period 1920–1925 was probably connected to the improving economy that brought the population relative prosperity. This is indicated, for example, by the real added value of industry in Java and Madura that reached its highest level ever, and the increase of GDP per capita before it was devastated by the 1930 Depression (van der Eng 2002; van Zanden 2003). The average income of the indigenous population in 1925 was reported to be 201 guilders, while those of European and Chinese and Other Foreign Asians were respectively 6,150 and 1,179 guilders (Ranneft & Huender 1926; van Zanden & Marks 2012).⁶ This means that in 1925 the purchasing power of the population in the colony enjoyed a relative upswing. No wonder, therefore, the number of registered opium users among indigenous population in this year was also the highest ever recorded, increasing to more than double from 33,606 users in 1920 to 88,755 users in 1925. Because of a dearth of information, it is really difficult to ascertain whether these opium users from all groups of population earned average, above-average, or below-average income.

The government Opium Report of 1925 reveals that opium consumption per 100,000 persons of Java and Madura was 1,792 *thail* or 69.17 kg, while in the Outer Islands was 1,714 *thail* or 181.96 kg. In term of monetary value, per capita opium consumption in Java and Madura was 0.54 guilders, in the Outer Islands 1.15 guilders, and on average throughout the whole colony, it was 0.715 guilders. In terms of per capita consumption, every Chinese user in Java and Madura consumed 70 *mata* opium per year and in the Outer Islands they consumed 165 *mata* per year. On average, the indigenous people

6 For 1930, Polak calculated that average income per head in the colony was 170 guilders for indigenous and 840 guilders for Chinese (Polak 1940).

in Java and Madura consumed 0.9 *mata* per year and in the Outer Islands 0.4 *mata*. In total, throughout the whole colony Chinese opium users smoked on average 120 *mata* per year, whereas indigenous users smoked 'only' 0.8 *mata* per year (*VOR* 1925: 34). The consumption level of both groups of opium users changed time after time, but the pattern remained consistent: the Chinese opium users used more opium and spent more money than indigenous opium users, although the number of users among these population groups was not that much different.⁷

Van Ours and van Luijk (1998: 7-8) present a detailed analysis on a regional comparative of the opium use among the Chinese and indigenous population in the Netherlands Indies for the year 1930. Given the fact that opium smokers were predominantly male (only a few female users were reported), the authors used the percentage of males smoking opium as indicator of opium penetration. They calculated that in Sumatra on average about 20 per cent of Chinese males consumed opium, while in Java and other islands the average was about 5 per cent. The highest opium penetration among indigenous males was found in Java with 0.3 per cent. Looking at opium consumption, the authors calculate that Chinese opium users used 460 grams per year on average; whereas the average among indigenous was 140 grams per year. On an individual level, looking at each opium user, a Chinese male consumed 50 grams of opium per year on average, whereas the average for an indigenous male was 0.3 grams opium per year. What did their addiction cost them? The average amount of money spent by a Chinese opium user was about 320 guilders against about 100 guilders paid out by an indigenous user. Again, there are big regional differences. In Java the average amount spent by indigenous smokers was 101 guilders, but in other islands

7 Using Polak's income estimate, in another article, van Ours (1995: 266) calculates that both Chinese and indigenous opium smokers must have spent a large amount of their income on opium. This led him to conclude that opium addiction in the colony was not rational but myopic consumption. He argues that income did indeed play a role in determining how much opium a user consumed but not whether an individual had become a user. Therefore, the decline in opium consumption after 1930 can be attributed to the decrease in the number of users and not quantity consumed per users (277-78).

it was 175 guilders. Among Chinese smokers, the average amount of money spent on opium was 252 guilders in Sumatra and 621 guilders in Java and the other islands.

Another important insight has to do with the age distribution of the registered opium users. The Opium Report of 1940 provides detailed information revealing the fact that most of the opium users from all groups of the population were found in the oldest age group: 50 years or older. This seniority category was notable among indigenous opium users, among whom users older than fifty made up about 63 per cent, followed by users from the age groups 40–50 and 30–40 with 29 per cent and 7 per cent respectively. The remainder were younger than thirty. The age composition of Chinese users was slightly different, although the oldest productive age group of older than fifty still contain the predominant users, constituting about 50 per cent. Users aged between 40–50 and 30–40 accounted for 32 per cent and 16 per cent, and the rest, less than 2 per cent, were users younger than thirty (*Verslag betreffende de Opium- en Zoutregie en de Zoutwinning*, hereafter *VOZR*, 1940: 21).⁸ This means that the number of Chinese opium users, who took up their opium smoking habit at a relatively younger age was much larger than those among the indigenous opium users.

Opium Smuggling and Corruption: the Persisting Issues

Although controlling opium smuggling was one of original priorities of the *Opiumregie*, in practice the Netherlands Indies government struggled to achieve this target comprehensively. Although, perhaps realistically, it was believed that the complete elimination of opium

8 In 1940 there were 4 Europeans registered as opium users. All of them were older than fifty. Detail of age composition of opium users among Chinese and indigenous users at that year were as follows:

Regions	Chinese				Indonesians			
	< 30	30-40	40-50	> 50	< 30	30-40	40-50	> 50
Java and Madura	53	927	1902	3265	29	2143	8469	17716
The Outer Islands	68	717	1387	2040	-	22	375	863
Total	121	1644	3289	5305	29	2165	8844	18579

smuggling would be virtually impossible, it has to be said that the government tackled the issue half-heartedly and far from sufficient (Chandra 2000: 101-23). This was particularly evident from the fact that efforts to create a strong and systematic opium surveillance were hindered by limited government finance. Certainly, the government did set up an Anti-opium Smuggling Squad on land and at sea, administered in co-operation with the Police Department for the land patrol and with the Navy at sea (Kuipers 1999; Bloembergen 2009). But, the strength of this anti-opium force was sadly inadequate to get a grip on the opium smuggling that stretched out along the vast coastlines of the Archipelago and along the numerous inland routes. The Opium Report of 1935 reveals that in 1930 this Anti-opium Smuggling Squad was manned by 207 detectives who had the following facilities at their disposal: one car, one bus, thirty-eight bicycles, two motorcycles, and eight boats. In 1935, the squad had been reduced as that time it had 'only' 183 personnel, supported by two motorcycles, forty-two bicycles, and three motorboats (VOZR 1935: 18). The financial support likewise diminished. Table 6.3 shows that during the period under study, the colonial government was seemingly hesitant about allocating more than 1.5 per cent of its opium revenue to financing the anti-opium operations. This might have been part of the reason for the failure of the colonial government to curb the widespread opium smuggling in the colony before its rule ended in 1942.

Despite having a limited number of squads and precious little equipment, the anti-opium smuggling force did succeed in countering opium smuggling activities in different parts of the Archipelago, capturing smugglers and preventing illegal opium from flooding the market. The annual Opium Report after 1915 describes the success of this division in intercepting more than 1,000 attempts to smuggle annually. Up to 1925, Java where opium black market was steadily expanding was still the major recipient of the fruits of this smuggling. In Java and Madura, on average the total amount of illegal opium seized during the period 1920–1924 was 190 kilograms. This quantity

rose during the crisis years of 1935–1938 to 300 kilograms per year.⁹ In one particular year, there seems to have been a tendency towards a rise in smuggling in the areas under restricted registration system. In 1920, for example, the *Opiumregie* authorities reported that about 60 per cent of opium interceptions in Java were recorded in West Java and Batavia (*VOR* 1920: 43). With the growing importance of Sumatra, Bali and the other islands outside Java as opium consuming regions, there was also a marked rise in smuggling in these islands after 1925.

Table 6.3. Anti-opium smuggling operation and its result, 1915-40

Years	Subsidy for anti-smuggling operation (in f)*	Subsidy as per cent of total opium revenue	Total interceptions	Total captured opium (in <i>kati</i>)	Total arrested Person
1	2	3	4	5	6
1915	246,116	0.7	1572	1222	1605
1920	221,790	0.4	1249	268	1326
1925	335,291	0.9	3462	2268	3429
1930	60,000	0.2	1897	908	1890
1935	129,995	1.4	1578	2810	1578
1940	46,729	0.4	1390	-	1179

Source: *VOR* 1915-1930, *VOZR* 1935-40

Note: *The anti-smuggling subsidy included spending on the naval patrol vessel under the auspices of Department of the Navy and the cost of the opium surveillance patrols on land; on average the share of the former accounted to more than 60 per cent annually.

Interestingly, some of the illegal opium seized had been ‘leaking’ from the government opium factory or government warehouses, an

9 According to van Ours (1995:270-71), the increase in average illegal opium seized did not compensate for the substantial decrease in legal opium consumption in the period of 1935–1938. The fact that the real opium price during this period was still substantial led this author to conclude that there was no strong link between the real price of opium and the size of the black market, nor was there a strong relationship between the size of the legal and the size of the illegal market.

indication that the hands of the government opium staffs were not exactly clean when it came to smuggling. In 1924, for example, a handful of lower ranking opium staff members were caught and dismissed after being involved in smuggling government opium to the black market for their own personal gain (*VOR* 1924: 23). Two years earlier, the Dutch police had succeeded in confiscating a 'counterfeit machine' for the manufacture of fake *Opiumregie* tubes, which suggests that smugglers had been mixing a cocktail of illicit and licit opium (Foster 2000: 271). Importantly, the bulk of the non-*regie* opium seized was in its ready-to-use form, finds of raw opium were rare. The administrators calculated that the biggest supply of non-*regie* illegal opium was imported from China, where 15,000 tons of opium were produced annually contributing about nine-tenths of world production. Nevertheless, in comparison with other East Asian opium markets, the amount of illegal opium exported from China to the Netherlands Indies was relatively small (*VOR* 1924: 24).

This illegal opium was often smuggled on ships of the 'Java-China-Japan Line' shipping line, but occasionally those the 'Koninklijke Paketvaart Maatschappij', the main Dutch shipping line, also served as carriers. In 1924, for example, the total amount of opium smuggling via the first shipping line was reported to have been about 914½ *kati*. For the latter it was 179½ *kati* opium. The Director of KPM claimed that it only shipped cargo whose documents were legally in order, and suspected Chinese and Indonesian crewmembers or passengers of bringing illegal opium on board its ships, above and beyond legitimate cargo.¹⁰ This illegal opium was transferred to smaller ships after arrival at various destinations: the port of Singapore or Tanjung Priok in Batavia. Batavia was the main entrance route for opium smuggling in

10 The smugglers were indeed creative in finding way to smuggle opium. In a secret circular pamphlet issued to members of the Anti-Opium Squad, the *Opiumregie* administration drew up a list of smuggling methods commonly used by opium smuggler from time to time. The list included six categories of smuggling methods: concealing opium in the clothes they were wearing or on parts of the body, in domestic goods or household utensils, in the mail to be sent, in commercial goods, in certain conceal parts of the ship, and in passengers' goods or cargo. Each category had several detailed ways of smuggling opium. In total there were 120 methods listed in this pamphlet (*Smokkelmethoden* 1931).

Java and Madura. From here smugglers distributed their opium via the smaller ports of Cirebon, Rembang, Gresik and Surabaya. Opium smugglers in Singapore transported their cargo directly to Palembang, Jambi, Sumatra's East Coast, Bangka, Belitung, and various ports in Borneo. These opium smuggling networks were closely linked to the Straits Settlements Opium Monopoly. The biggest number of opium interceptions was reported in 1924–1925, when the anti-opium force impeded 3,462 attempts to smuggle, seizing 2,268 *kati* of illegal opium and detaining 3,429 persons. Of this number, 318 persons were released after lodging an appeal, 2,600 were fined, 355 were imprisoned, 176 were punished by both fining and gaoling, and the rest were released (*VOR* 1924: 28-29).

Anxious to prevent a further influx of opium smuggling from China, the Netherlands Indies government obtained information about its anti-opium smuggling policy in China from the Chinese government. It also contacted its consulates in Hong Kong, Amoy, Macau, Shanghai and the Straits Settlements and Singapore to formulate a strategy and take the necessary steps to try to eradicate the contraband, for example by appointing opium spies in the international port cities. In his letter to the Dutch Consulate of Hong Kong dated January 25th 1899, the Consul in Shanghai, B. Millisch, states that the possibility of Macau becoming a channel of illegal opium and counterfeit coins to be transported to Java was pretty negligible. The main object of his suspicion was Singapore from where the smugglers-cum-counterfeiters distributed their illegal opium to either Java or Sumatra. This network of information became indispensable to the Dutch in Batavia in the efforts to counter the enormous growth of international opium smuggling syndicates. One example of this was when the Dutch in Batavia chased the suspected Amoy-based Chinese smugglers Hien Seek, Hoan Seck and Soan Hien, who escaped the Semarang anti-opium patrol in 1903 after smuggling opium in the cargo on a ship of the "Java-China-Japan Line". Another successful example of this international effort was reported in 1910 when the anti-opium patrol captured the Yap Hok smuggler band, which was

based in Amoy and repeatedly managed to bypass the anti opium-blockades by using the mail cargo service.¹¹

Chinese traders and other non-state actors were by no means the only groups involved in the opium smuggling, government officials, particularly members of the *Opiumregie* staff and police officers, were also involved in this illicit business. As mentioned above, the annual reports of the Opium Service disclose that every year a bunch of its staff members had been found guilty of opium smuggling. Some took the opportunity for some illicit dealing by taking opium from the factory; others sold it to non-licence holders in the opium outlets.

The involvement of the police in the opium smuggling is best exemplified by the 1923 scandal in Batavia in which some top-ranking police officers were implicated. The case came to light when the Senior Officer (*hoofdagent*) Muller accused his superior, the chief of the Opium Detection Service, Superintendent W.J. Kelder, of being involved in opium smuggling. Although this accusation turned out to be difficult to prove, Kelder was dismissed on another charge that arrested of misconduct: embezzling the books of his department. Muller was also suspended from his position, after being accused of the moral misconduct of using opium regularly. The same penalty was handed down to a senior Chinese detective Tjoa Bok Seng, who was charged with extortion allowing his systematic blackmailing of fifteen Chinese 'gambling houses' and brothels in the Senen district, extorting no fewer than 2,000 guilders per month. Considering the amount involved, the Commissioner of Batavia, van Rossen, suspected that some of the money might also have included profits from opium smuggling. To try to eradicate the problem, the Resident of Batavia, van Helsdingen, ordered van Rossen to carry out a reorganization of the police in those districts and investigate the cases. Reviewing the results of this investigation, the government decided to suspend Misset, the Chief Commissioner of Police, and de Waard, the Principal of the Police School from their positions, and van Rossen

11 Correspondence between the Dutch Government in Batavia and Chinese government, and also with its consulates was extracted from the archive bundle of *Consulaat-Generaal Hong Kong*. NA/2.05.27.01/97.

himself was sentenced to six years' imprisonment. A contemporary observer thought that this fraud scandal involving top-ranking police officers had destroyed the reputation of the modern colonial police (Bloembergen 2009: 227-28).

The actual running of the licence and registration system of opium users was also not immune from various criminal offences. Once again, the annual Opium Service Report reveals repeated cases of infringements against the system. As early as 1920, the local colonial man-in-charge in Palembang, for example, reported that many opium users in his territory had multiple registrations under fictitious names.¹² In 1925, the *Opiumregie* authority reported that some licence holders were reselling their purchased opium to other persons in order to make a profit on it. In other cases, licence holders sold their licences to somebody else when they ran into difficulties finding opium to purchase. However, this practice was particularly prevalent when the licence holder died or was suffering some illness. Under such circumstances, the family of the licence holder would pass it on to someone who wished to buy government opium. In Semarang, it was reported that a Chinese district head had been found guilty of illegally procuring the licences of four deceased licence holders to purchase the drug from the opium shop. He ordered his men to use those four opium licences to buy more opium, which was probably to be resold for a profit. In the wake of this case, the Resident of Semarang ordered the local opium authorities to attach a photo of the holder to the opium licence card to prevent any further abuse of the system (*VOR* 1925: 9).

Opium Addiction and Anti-opium Campaign

The improvement in the opium administration, particularly the opium registration system, made information about opium addiction among users available to the general public. Despite this freely accessible knowledge, the colonial government seems to have remained ignorant of the growing problem; up to the end 1920s it did almost nothing to try to cut the Gordian knot. The first initiative, to provide medical

12 NA, Memorie van Overgave (MvO), no. 208, 1920

facilities and treatment for those opium addicts, was pioneered by a group of Dutch and Chinese physicians in Batavia. They formed an organization called the *Anti-Opiumvereeniging* (AOV) in 1915. Their first step was to raise funds and they collected 19,500 guilders in donations to be used to build a special opium hospital, the *Anti-opium Hospitaal Vereeniging*, in the Mangga Dua district, under the leadership of Dr. U Pen Kie, who was of Chinese descent. In the first years of its service, it was not long before this hospital was flooded with opium patients from various parts of Java. By 1917, it was already offering four classes of service and dispensing medical treatment to a total of 342 patients. The hospital provided free medical care to the fourth-class patients, who were mostly indigenous opium addicts.¹³ After five years in operation, this hospital closed down in 1920 as a result of financial difficulties and lack of support from the government. In 1934, after the colonial government finally got around to providing a financial support, the clinic was reopened. The 1940 Opium Report reveals that this clinic had taken care of 473 opium patients (*VOZR* 1940: 38).

Discussing the medical perspective of the treatment of addiction, van Otterloo (1933: 2-3) argues that the colonial government and society at large had only a limited knowledge of the nature of the opium addiction problem, and offers this as an explanation of the meagre response of both to this problem. In general, opium addiction was still not considered an illness or even as a disease that needed a medical attention. This explains why, as late as 1920, hospitals in Java generally focused on providing medical services only to treat such 'conventional illnesses' as cholera, tuberculosis, malaria and the like. Knowledge in the existing hospitals about how to deal with opium addiction was still very limited. Consequently, opium addicts tended to

13 Data about this hospital were taken from its annual report, which appeared for only three years, from 1915 to 1917. The report provided not only information about its activities in providing medical care to opium addicts, it also contained critical opinions and articles written by its members concerned about the laxity of the government opium policy and the lack of public interest in the opium addiction problem. In the final edition of 1917, for example, the editor-in-chief criticized the government refusal to provide a subsidy for opium addiction medical care. Interestingly, this edition also harshly criticized *Sarekat Islam* and *Budi Oetomo*, two leading Indonesian mass organizations, for their silence and ignorance about opium and the concomitant opium addiction problem.

rely more on Chinese and other traditional medical treatments to cure their addiction problem. Matters began to change gradually in 1926, when the *Nederlandsch-Indische Anti-Opiumvereeniging* (NIAOV) was set up in Bandung and announced that its main target was to establish an opium hospital. To assist in its project, the organization demanded the government give 50,000 guilders in subsidies to construct an anti-opium hospital in Bandung plus an annual subsidy of 26,000 guilders to cover its medical costs. This request was rejected, because the Director of Public Health preferred to use the existing health facilities to undertake anti-opium treatments. This commitment materialized in the next budgetary year, as the government was willing to provide a subsidy of as much as 1,500 guilders to support the opening of medical care service for opium addiction at the “Immanuel” Hospital in Bandung. From this year, opium addicts were treated as patients in hospital, and they were designated ‘opium patients’ (*VOR* 1928: 39-41; van Otterloo 1933: 4).

After having taken this first step, the colonial government extended the medical services to deal with opium addiction. Opium clinics or hospitals were opened in various public and private hospitals in Java. In the Outer Islands, similar efforts were also made. For instance, Chinese hospitals and local authority on Sumatra’s East Coast and in Bali, to name just two examples, opened a special service for opium-addicted patients (*VOR* 1928: 39). By the end 1920s, government attention expanded even further and the opium addiction problem was consequently being addressed more seriously. With the help of private hospitals and clinics, efforts were made to extend health care facilities all over Java and to open some new opium clinics in the Outer Islands. In 1930, the *Opiumregie* administrators reported that there were already twenty-one hospitals or polyclinics: nineteen in Java, one in Medan, and one in Bengkalis that provided special medical services for opium addicts. Most of these hospitals were run by private organizations, ten were church-based hospitals (*zendingsziekenhuis*),

three were Chinese polyclinics, two were non-missionary clinics, and six were government hospitals.¹⁴

In the period 1932–1937, it was reported that a total of 9,125 addicts with varying levels of addiction were being sent to those hospitals. These patients consisted of 7,525 Chinese, 1,557 indigenous, ten Arabs, and forty-three Europeans (*VOZR*, 1937: 64–65). The majority of these opium patients were declared cured after undergoing medical care in those hospitals. Table 6.4 presents details data about this anti-opium medical care and its results. It should be borne in mind, however, that the figures in the table possibly are not representative of the entire opium addicted population in the Netherlands Indies. Many opium addicts, especially in the Outer Islands, still had no access to the existing medical facilities.

In his study on the medical care of opium addicts in various hospitals in Java, van Otterloo (1933: 34) describes some characteristics of the hospitalized addicts. Of the 200 opium patients interviewed whom he took as a sample, 145 were still in their early productive years between 25–45, forty-nine were 45–60 years old, six were older than 60, and two patients were 20–25. Most of these young addicts began to consume opium when they were between 25–35 years. Only a few had commenced their opium smoking habit earlier when they were 20–25 or when they were older than sixty. Most of them were sent to the hospital after having been addicted opium users for five to fifteen years, and only a few had been on the drug for more than fifteen years. The logical extension of these statistics is that their addiction had probably been damaging their household economy. Although the majority of the hospitalized opium patients were successfully cured of their addiction, van Otterloo and other physicians working in those opium hospitals were concerned about the need of a ‘follow-up treatment’ (*nazorg*) system to prevent the cured addicts from relapsing into their addiction. This idea was proposed in the knowledge that the

14 By 1940, the number of hospitals and clinics for opium addicts had increased considerably to 36 units all over the colony: thirteen mission hospitals (*zendingsziekenhuis*), eleven non-mission hospitals, nine government hospitals and three Chinese clinics/hospitals (*VOZR* 1940).

number of opium patients who attended these hospitals was growing year by year. To tackle the problem, the anti opium organization NIAOV and IOGT developed programmes for which they received a government subsidy after 1934 (VOZR 1940: 36).¹⁵

Table 6.4. Hospitalized addicts in the Netherlands Indies, 1932-1940

Year	Patients under treatment			Type of addiction		Total Patients	Status		
	European	Chinese	Indigenous	Opium	Morphine		A	B	C
1932	9	1847	647	2423	80	2503	252	177	2179
1933	9	1479	310	1681	117	1798	311	171	1486
1934	10	1434	242	540	146	686	277	239	1402
1935	1	1054	184	1059	180	1239	239	154	1020
1936	6	900	81	806	181	987	137	119	792
1937	8	811	93	796	116	912	137	130	729
1938	17	1023	110	955	195	1150	225	177	950
1939	12	967	133	955	157	1112	200	114	953
1940	8	996	99	1052	51	1103	189	122	938

Note: On the status of patients:

- A = Previously undergone withdrawal treatment (*reeds eerder een ontwenningsskuur ondergaan*)
- B = The therapy untimely interrupted (*de behandeling ontijdig onderbroken*)
- C = Completely recovered/cured (*als genezen ontslagen*)

Source: VOZR 1937: 64-65

15 IOGT was the abbreviation of *De Nederlandsch-Indische Groot-Loge der International Orde van Goede Tempeliers* (The Netherlands Indies Great Lodge of the International Order of Good Templars), another Batavia-based anti-opium organization. In 1939 and 1940, this organization received 3,200 and 2,000 guilders for its opium *nazorg* programme, which included routine medical check-ups, psychological counselling, etc. In 1939, the NIAOV also received 2,800 guilders from the government for similar programmes (VOZR 1940: 37).

Of course there were anti-opium campaigns, and right from the outset, the non-government anti-opium organizations such as the AOV or NIAOV took all the initiatives. The AOV in particular played a prominent role in disseminating propaganda demonizing opium in the public domain through its pamphlets, books and other media. In 1923, for example, it published anti-opium propaganda books in major vernacular languages, Malay, Javanese, Sundanese and Madurese, in co-operation with the Commission for Public-Literacy (*Volkslectuurs Commissie*). The Dutch book ‘*Het Opium*’, for example, was translated into Madurese under the title “*Tjerita Si Djamin dan Si Djohan*” in 1923 as was a Malay book entitled “*Djaoehkan Dirimoe dari hal tjandoe*” (Keep Yourself Away from *candu*). Occasionally, members of the organization also conducted propaganda campaigns in ‘opium addicts hot-spots’; organizing anti-opium events there and they published reports of their activities in their publication or in the ‘national’ press (*VOR* 1923: 36). They also saw the possibility of using education as an important channel for their propaganda. In 1927, for example, they stressed of ‘the importance of anti-opium and anti-alcohol education’ in primary schools and that it be on the agenda for discussion at the 7th Congress of Netherlands Indies Education. The idea was accepted, but the introduction of anti-opium and anti-alcohol education in schools curricula was still being mulled over (*VOR* 1928: 41). The first step towards this objective only materialized five year later in 1933, when the colonial government gave the AOV the green light to organize lectures in schools in various cities in Java and to distribute a free booklet of anti-opium lessons to the students.¹⁶

Curiously enough, the Government Opium Service reported that, in 1930, it had allocated a sum of 11,200 guilders as a contribution

16 The book titled *Fatamorgana en Andere Verhalen, Lesboekje in verband met het opiumvraagstuk in Insulinde* (Fatamorgana and Other Tales, Textbook linked to the Opium Problem in the Netherlands Indies) (published in 1935 by the *Anti Opiumvereniging* Batavia) contains basic information about opium and its origins, its potential danger, and guidance for the youth on how to avoid it. The *Volkslectuur* Commission calculated that, up until 1940, there were about 3,500 copies of anti-opium propaganda books in Dutch, Malay, Javanese and Sundanese produced and distributed throughout the whole Archipelago (*VOZR* 1940: 39).

to the anti-opium campaign, and it repeated this financial gesture in the years that followed (7,900 guilders in 1935 and 14,000 guilders in 1940). Although most of the subsidy was spent on the above-mentioned anti-opium activities, presumably some of the money was also used to finance a number of programmes. The first was the production of an anti-opium film, *Rawana, het demon van opium* (Ravana, the Opium Demon) made by *Polygoon* and the *zendingbureau* (Protestant missionary office) in Oegstgeest, the Netherlands in 1933. This propaganda film with duration of 70 minutes describes opium smuggling, the medical care of opium addicts in hospitals, and the role of the government. The film, made for a Dutch audience, concludes with scene of scouts marching forward carrying banner with the slogan: 'INDIE OPIUM VRIJ' (Vanvugt 1985: 365-66). Some of the subsidy might also have been spent to support the making of a glittering anti-opium wagon for the annual Queen's Birthday parade in Batavia, an opportunity also seized to distribute anti-opium pamphlets and fliers to the spectators; or to pay the costs of exhibitions mounted by the anti-opium police at various events, such as *jaarbeurs* (annual trade fair) or the *pasar malam* (the night fair) (*VOR* 1930: 36).

At this distance in time, it is difficult to assess how effective these activities were in influencing opium consumption in the colony. Nevertheless, it can be argued that the increase in anti-opium campaigns, coupled with the deeper involvement of the colonial government in these campaigns, indicate a more benign attitude on the part of the Dutch colonial government to the opium problem in the Netherlands Indies; hence attaining the sort of situation demanded by 'civil societies' ever since the initial years of the *Opiumregie* or even earlier. The government involvement in the anti-opium campaign certainly did have a bigger impact on opium consumption, particularly among younger people, either by reducing interest in smoking opium, or steering people in the direction of choosing alternative commodities at cheaper prices with the added value of being less harmful to health, tobacco to name but one, in pursuit of their leisure activities.¹⁷ The

17 In his recent article, Nordholt (2011: 435-457) shows that smoking tobacco and cigars had been considered an important classifier of a modern life-style among the growing

availability of cheaper alternatives certainly did contribute to the decline in opium consumption, particularly after 1930. Although, it would also be hard to deny that the lack of money following the economic crisis of 1930 must have created major incentives for opium users to quit their opium habit. In a nutshell, the decline in opium consumption in colonial Indonesia was the outcome of various factors. Ignoring the contribution of the colonial government would be as unwise as adducing the economic crisis of 1930 as the only explanation. The invasion of the Japanese army in 1942 completely ended the Dutch opium business in Indonesia, but it did continue later under different consecutive regimes.

The Pawnshops Monopoly (*Pandhuizenregie*)

Just like the *Opiumregie*, under the Ethical Policy the government Pawnshop Monopoly was set up as one of the state institutions to provide popular credit to stimulate indigenous economic activities.¹⁸ It was likewise supposed to be instrumental in curbing the role of usurious money-lending practices on the colonial capital market, particularly in Java and Madura, a sector dominated by the Chinese and other Foreign Asians (Burger 1929; Boeke 1932; Boomgaard 1986: 33-58). Despite its much-lauded aims, it took more than a decade for the colonial government to have the administration of the pawnshop service up and running. During the 'experimental' years of 1904-1915, the government managed to expand the pawnshop service from twenty-three units in 1905 to 165 units in 1910 and

number of the indigenous middle class in the Indies. This life style, in which drinking coffee and chocolate also played an important role, was among the most frequent advertisements featured in the main pages of various locally printed mass media from the 1920s.

18 The other institutions that provided popular credit during the period concerned were *Volksbanken*, *Dessabanken*, *Lumbung* as well as cooperatives. The first two institutions were run and administered directly by the government as modern banks, while the latter two were mostly community-based institutions organized by local communities. Altogether these institutions aspired to meet the spirit of the 'Anti-usury Movement' that echoed in the colony from the 1910s (Fruin 1935; Djohadikusumo 1943; van Laanen 1980).

this almost doubled to 313 units in 1915. None the less, in terms of credit supply, at least until 1905, the amount of money lent still hovered around 2 million guilders, much less than the sum dispensed by private pawnbrokers in 1874 when this had already amounted to around 11 million guilders (see Table 6.5 and van Zanden 2009: 168). By 1916, the colonial government had finally settled the pawnshop administration in the whole Java and Madura, with the exception of the *Vorstenlanden* where the pawnshops were subject to different arrangements that tied in better with local circumstances (Furnivall 1934: 2).

In the following decades, the government Pawnshop Monopoly became the vanguard vehicle of government credit institutions and was accessible to more of the population living in urban as well as rural areas. The evidence to support this claim is the growing number of offices, staff and scope of activities of this institution as time passed. By the end of 1925, the *Pandhuisdienst* had opened 368 pawnshops and employed 5,528 persons, consisting of 227 European and 5,251 indigenous employees. The Europeans held the most important positions ranging from *hoofdbeheerders* (head-managers), *beheerders* (managers) and sub-managers. Without exception the indigenous staff occupied the third-class positions as cashiers, appraisers, clerks and watchmen (*Gedenkschrift* 1926: 44).¹⁹ By 1930, the number of state-owned pawnshops had grown to 453 units: 385 units in Java and Madura and sixty-eight in the Outer Islands; and another 174 units of licenced pawnshops were to be found in the *Vorstenlanden* areas. But the number of pawnshop personnel had been slightly reduced to 4,684, consisting of 190 Dutch higher-ranking staff, and 4,494 indigenous middle- and lower-ranking personnel.²⁰

19 In 1920 these indigenous officers united themselves in an organization *Perserikatan Pegawai Pegadean Boemipoetra* (PPPB/ Union of Indigenous Pawnshop Employees). “Het Pandhuispersoneel” (*Gedenkschrift*, 1926: 45-46).

20 This consisted of 6 head managers, 108 sub-managers, 45 controllers from the ranks of the first and second-class officials – all of them were Europeans; 275-second class indigenous officers, and 4,219 third class indigenous staff. To facilitate administrative control, the whole country was divided into 6 inspection divisions (*inspectieafdeelingen*), 5 in Java and 1 in Sumatra, and subdivided into 43 areas of jurisdiction (*controleeressorten*). The inspectors, who were assisted hierarchically by Controllers and Assistant-Controllers,

Almost all the pawnshop premises were government-built, although in a few places private buildings were rented. The government sought locations in the most strategic spots, such as markets or business districts. Up to 1930 the total value of the pawnshop premises amounted to about 17 million guilders, half of which was written off out of profits. The pawnshop service opened six days a week, initially for ten hours but later for eight hours a day. They were closed only either on Sunday or, if Sunday was the local bazaar day, on Fridays. At least once in month, the pawnshops organized a public auction of the forfeited pledges. Among the most popular articles that people normally pledged for loans were clothing, gold, silver and other pieces of jewellery and bicycles. The pawnshop administration classified these pledges into five categories: Class A valued from 0.10 to 25 guilders; Class B from 26 to 50 guilders; Class C from 51 to 75 guilders; Class D from 76 to 100 guilders; and Class E from 101 guilders upwards. In his annual report, the Director of Pawnshop Services noted that in 1928 Class A pawns constituted 99.3 per cent of the total number of pledges, or 76.5 per cent of the total value, while the number of Class D and E pawns was relatively low (Furnivall 1934: 6-7). This is a clue that the pawnshop clients were mostly from the low-income group of population, who were only able to pawn less precious pledges for a small loan.²¹

Financial Aspect

Under the guidance of a growing bureaucracy, up to the crisis years of 1930s the government pawnshops managed to expand their service capacity and business volume. Table 6.5 shows that the business volume of the government pawnshops multiplied from 1,788,539 transactions in 1905 to 51,547,654 transactions in 1930 delivering

co-ordinated the process of checking. At the headquarters office there were also 3 instructors in valuation, with a probationary instructor (*aspirant*), and an instructor in commercial commodities (*warenkennis*) (Furnivall 1934: 5).

21 It was difficult to ascertain however the real composition of pawnshop users. But some studies have estimated that most of the pawnshop credit went into the hands of non-peasant groups, such as petty traders, craftsmen, and other small businessmen (Coolhaas 1944; van Zanden 2009: 168).

credit ranging from about 3 million guilders to about 184 million guilders (only to decline again during the crises years of 1931-1935). This turnover exceeded the amount of money lent by other popular credit institutions (Furnivall 1934: 1). Assuming that half the credit of pawnshops and *volksbanken* reached the peasantry, van Zanden (2009: 170) estimates that the value added ratio of the credit had risen from 3 per cent in 1910 to 8.5 per cent in 1929, a significant increase. This expansion was also made possible by the government policy of cutting the annual interest rate substantially after the introduction of pawnshop reform that attracted more people to use pawnshop service. As an illustration, the interest rate for the smallest loan in the 1880s was 143 per cent annually, the government cut this down to 72 per cent in 1901 and then lowered it again in 1920 to 48 per cent (van Zanden 2009: 171).

Table 6.5. The volume of business of the government pawnshops, 1901-1930

Year	Number of shops	Number of transactions	Money advanced (in guilders)
1901	1	39,490	78,216
1905	23	1,788,539	2,958,655
1910	165	15,159,793	20,777,269
1915	313	34,636,918	75,897,419
1920	360	35,790,377	136,518,129
1925	398	47,923,594	166,250,032
1930	453	51,547,654	184,141,645

Source: Furnivall (1934: 12)

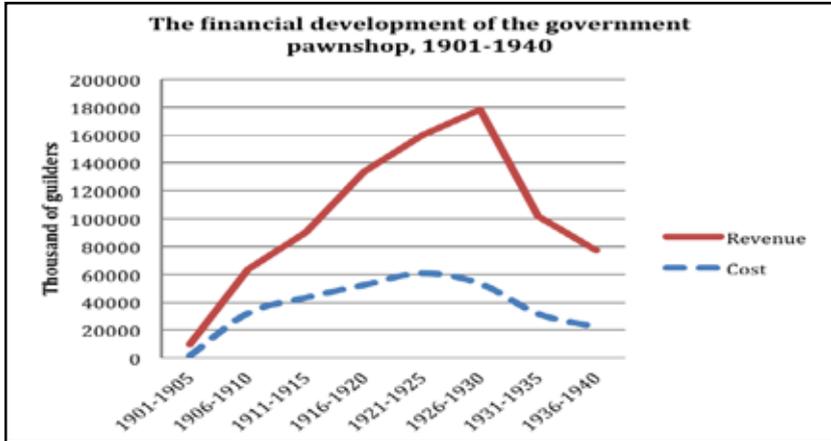
As one of the most popular credit institutions, curiously the government pawnshop service developed as a profitable business, making almost all its profit from the interest on loans (Furnivall 1934: 7). In fact, the policy of lowering the annual interest rate of the pawnshop service was instigated not just from altruistic motives

for the sake of population, but was indubitably intertwined with the self-interest of the state in keeping the pawnshops profitable.²² Van Zanden (2009: 171), for instance, says that the policy of cutting the interest rates from time to time was born of various considerations. The initial reduction in the annual interest rate on the smallest loan from 143 per cent to 72 per cent was adopted to distinguish the government pawnshops quite clearly from the usurious rate of pawnshops in the hands of private businessmen. Again, the reduction in interest rates in 1920 to 48 per cent was a response to the large profit the pawnshops had gradually been making (about 17 million guilders in 1919). Interestingly, this occurred simultaneously with the waning dynamic of the Ethical Policy as the colonial government had to bite the bullet and began to reduce expenditure on welfare programmes. In 1924, the interest rates returned to the pre-1920 levels, 72 per cent, to compensate the deficit in the state finances as a consequence of the post-war recession. The interest rates were cut again to the levels of 48 per cent in 1928 only because of the profits had stabilized.

It was unsurprising therefore that the government profit from this business steadily rose overtime. The colonial historian Coolhaas (1943: 121) wrote that, although this institution had not been established to make a profit, it emerged as a commercially successful public enterprise. He calculated that from 1904 to 1938 the state pawnshops made a net profit of about 163 million guilders, amount of revenue not to be sneezed at. It was only during the fraught years of the 1930s, that the profit of pawnshops returned to the level of 1910s around 80–100 million guilders, still a large profit. This can be inferred from Figure 6.3.

22 In their introduction to a seminal book on credit and debt in Indonesia, Henley & Boomgaard (2009:16) argue that the spirit of the Ethical Policy in the field of popular and rural credit, including pawnshop service was completely moribund by 1930, at the time of the onset of global crises that hit the colonial state finance (or even before the depression years).

Figure 6.3. The financial development of the government pawnshop, 1901-1940



Source: Melleger (2004); van Zanden (2009: 170, figure 8.3).

Note: The cost included expenses for the establishment, premises, salaries, interest, and losses on sales, etc. In 1930 it also included 250,000 guilders in reserve funds. Between 1907 and 1915 a sum of 6 million guilders was allocated for reserve funds (Furnivall 1934: 12).

By and large, contemporary observers judged the state pawnshop service had successfully achieved its original objectives. Not only did it continue to be unflaggingly profitable, even in the crises era of the 1930s, it also succeeded in providing better administration, fairer valuations, more certain and moderate interest, better protection for the pledged goods and stricter rules to prevent corruption and the fencing of stolen goods (Keers 1928; de Kat Angelino 1931; Furnivall 1934; Coolhaas 1943). Nevertheless, one big question remains, namely to what extent did the state pawnshops contribute to the efforts to eliminate the influence of private moneylenders, particularly among rural population who were unable to benefit from the expanding popular credit programmes available since the 1910s? In relative terms, the pawnshops accounted for the channelling of more than 60 per cent of total loans under the popular credit scheme (Laanen 1980: 40;

1990), therefore they played a prominent role in government efforts to displace the role of Chinese usurers (*Cina mindring*).

However, Boeke (1947: 167-68), an expert on the colonial economy, argues that the pawnshops and other official credit institutions played only an indirect role in the anti-usury movement (*de woekerbestrijding*) that the government launched in 1916. He claims that though this might have solved one side of the problem by providing the indebted population with alternative credit, the other side of the problem, the indebtedness haunting the peasants, was relatively unchanged. He thinks that even the main measures introduced to curb usurious moneylending practices, namely various ordinances or judicial instruments, failed to uproot the influence of moneylenders because they barely touched the problem of usury at the lowest level of credit, a niche in which these moneylenders predominated overtime. Referring to the situation in Pati in Central Java, Burger critically observes that the official credit institutions could not fully dislodge the role of the unofficial credit institutions and the rural population still had to depend on the activities of *Cina mindring* and other unofficial credit sources (Burger 1930).

Socio-Political Dimensions

Broadly speaking, it would be fair to say that the operation of government Pawnshop Monopoly encountered no substantial external challenges. The only nuisances reported were caused by the activities of former Chinese pawnbrokers who tried to counter the system of state management by organizing rings to control the bidding at auctions (Furnivall 1943: 4). This ceased to be an issue after the government introduced a policy to establish government auction houses (*vendubhuizen*) and to appoint official state auctioneers (*vendumeesters*), who were responsible for the organization of the auctions of pawned pledges in compliance with the regulation. The bulk of the problems that arose were caused by the internal administration, as mentioned in the official reports, namely the problems of indiscipline, corruption, and maladministration, and indigenous staffs perpetrated most of them. In 1930, for example, it was reported that a dishonest employee

burned a shop down to conceal the embezzlement in his accounts (Furnivall 1934: 6). However, the most spectacular problem was perhaps the so-called ‘pawnshop-strike’ in January 1922 that became a political issue at a ‘national level’ for the entire year. Scholars have considered it one of major strikes in the history of the Netherlands Indies (Blumberger 1931: 130; McVey 1965: 43; Nagazumi 1974: 187-206). The following paragraph contains a brief discussion of the pawnshop-strike and its aftermath.

In that period it was common practice for indigenous public servants working in the colonial bureaucracy to organize various kinds of actions, primarily to protest about their poor working conditions. Issues commonly raised were working hours, salaries, pensions, and etcetera.²³ The origins of the pawnshop-strike called in January 1922, were no different. In his lengthy report to the Governor General, R. Kern, at that time Deputy Advisor on Indigenous Affairs, pointed out that the immediate cause of the strike was neither political nor economic. Social and psychological factors lay at the root of this protest that was the first of its kind.²⁴ As had happened in the other government institutions, the expanding government pawnshop service opened up opportunities for educated members of the indigenous population to enter the government bureaucracy. By doing so, they became new members of an indigenous middle class, the *priyayi*, often described by the characteristic of being ‘the keenest of groups in the matter of prestige’. This was manifest, for instance, in their attitude to work that insisted that they repudiate physical labours (working with their hands), employment that they considered suitable only for uneducated or less well-educated sturdy sons-of-the-soil or *koelies* (Burger 1956: 20; Nagazumi 1974: 192).

The story began when the pawnshop administrators introduced a policy of retrenchment (*bezuiniging*) in mid-1921 in an attempt

23 This, for example, can be read in the material published by labour unions such as ‘Soara Regie’ or ‘Soeara Regie Loear Djawa dan Madoera’ published by the *Opiumregie*. Almost all articles or news in these journals was exclusively confined to discussions of the working conditions of the indigenous staffs employed in this government organization.

24 The report is preserved at the KITLV under heading *Kern collection*, H 797 inventory Number 291 fol. 6-7.

to reduce production costs, improve efficiency and retain a stable profit level. One of the measures was to abandon the outsourcing labour system, especially that used for transporting pawned goods from shops to auction houses. Instead they delegated the task to the lower-ranking indigenous staff. This policy really injured the pride and prestige of these *priyayi*. They rejected the policy immediately, and their indignation soon escalated into a strike. Kern reports that the strike commenced in the pawnshop office at Ngupasan, Yogyakarta on 11 January 1922 after a Javanese staff named Bawadi had refused to obey the orders of his Dutch superior to carry pawned articles from the pawnshop to the auction shed.²⁵ Consequently, the head of the pawnshop decided to suspend him from his position. Bawadi's fellow indigenous staff members showed their sympathy by organizing a strike to protest against such an unfair decision, boycotting the whole operation of the pawnshop there.

As it had occurred in Yogyakarta, the breeding-ground of the Indonesian nationalist movement, the news about the strike was rapidly expanded all over Java by the PPPB, the pawnshop labour union. Within two weeks, the strike had spread to seventy-nine of the 360 government pawnshops in Java, and reached its peak at the end of January 1922, when strikes were organized by local branches of the PPPB in almost all the important cities in Java. This series of strikes gained support from various social and political organizations, including the influential Sarekat Islam, the Budi Utomo, the Muhammadiyah, and the PKI (the Indonesian Communist Party). The fact that some top leaders of the pawnshops labour union had links to or were even members of those political parties meant that the strike gained plenty of exposure and was highly politicized. Moreover, in that period these political organizations were in strong competition with each other to gain support from the growing numbers of the indigenous 'middle class' (van Niel 1960; Noer 1973). In response to

25 In his second report, with hindsight Kern identifies that similar affairs had happened a year before in Lasem and Pati, but they were not exposed by local press. He describes how there were tensions and clashes of interest within the pawnshop administration itself, notably between the Indonesian managers (*bestuurders*) and the sub-managers (*onderbestuurders*). KITLV H 797 No. 291 Fol.6.

these strikes, the worried Dutch government introduced even more coercive measures. Firstly, in co-operation with the police department, the government temporarily prohibited any kind of meeting or assembly; and then proceeded to sack all the employees who had participated in the strike (*Kern Report* fol.7 16 Maart 1922).

In his analysis of the aftermath of the strikes, Nagazumi (1974: 204-06) concludes that, generally speaking, this action failed to achieve its target, because it came up against a repressive counter-action from the colonial government. Most of the strikers lost their jobs, and the rest of the indigenous staff members resigned from the pawnshops labour union. This is also exactly what happened in the social political organizations that had supported the action with all their might and main. In the eyes of social-culturally oriented organizations like the *Budi Utomo* and *Muhammadiyah*, the failure of the strike became justifiable reason to abandon their intention to become more active in the political arena. For the more radical parties like the *Sarekat Islam* and the PKI (*Partai Komunis Indonesia*), the failure became a showcase of their own failure to gain the sympathy of government civil servants and other members of 'the colonial middle class', despite the fact that their engagement in the strike had reinforced their reputation as anti-colonial organizations. Overall, Nagazumi notes, the pawnshop-strike made only a small positive contribution to the nationalist movement in colonial Indonesia.

The Salt Monopoly (*Zoutregie*)

Administration

Unlike the first two state monopolies, as briefly discussed in Chapter 4, the Salt Monopoly had been a working institution since the days of the early colonial administration. The reintroduction of the *Zoutregie* at the end of the nineteenth century shifted the production and sale of salt in the colony from being a 'government matter' to a 'government enterprise', fully-administered in a private company-like organization (de Jonge 1993: 168). The *Zoutregie* had absolute authority in the production, manufacture and transportation of salt

briquette, the distribution and sale of the products (either as loose salt crystals or briquette salt) to the whole Archipelago. Briquette salt (*verpaktzout*) was sold mainly for consumption, while loose salt (*looszout*) was purchased by the fishing and manufacturing industries. Madura was now designated the centre of salt production.²⁶ The other salt producing-areas in the Archipelago were either closed down or placed under very strict control. In Madura, the local salt makers lived primarily along the south coast, but now if they wanted to produce salt they had to have a licence and to sell their harvest only to the government warehouses.²⁷ To ensure the supply, the *Zoutregie* also opened new salt pans in Nembakor-Barat and Gresik, from which to supplement the existing salt pans owned by local salt makers in Sampang, Pamekasan and Sumenep; all located along the south coast of Madura (van Braam 1915: 116; *ENI* 1921, IV: 866).²⁸

The Salt Monopoly opened more selling places to facilitate the distribution of salt products to the entire Netherlands Indies. Some of these depots were also used as opium stores. By 1935, there were 169 salt stores in Java and 198 in the Outer Islands. A salt bureaucracy under the Head of the Salt Monopoly Service and his managerial staff now usurped the role of the local authorities and took over full control of the production and distribution of salt. In 1912, in Madura there were four Dutch warehouse chiefs (*hoofddepotpakhuismeesters*) and fourteen

-
- 26 Since the VOC period, salt had been produced and sold as commercial product in many parts of the Archipelago. When Raffles introduced the Salt Monopoly, the salt production areas included the following areas: in Java, the Residencies of Banten, Karawang, Cirebon, Rembang, Gresik, Surabaya, and Madura; in Sumatra, salt was produced in the coastal areas of Sumatra's West Coast, Bengkulu, Palembang, Riau, Sumatra's East Coast, Bangka-Billiton and Lampung; in Kalimantan, it was produced in the Residencies of West Borneo, and South and East Borneo (van der Kemp 1894).
- 27 This locally produced salt was purchased at a fixed price. Local producers were still allowed to sell raw salt to the local market, but they had to pay taxes that ranged from 2 to 20 cents depending on the quality of salt they produced (*Verslag van den dienst der Zoutregie en van de daarbij behoorende afdeling* 1920: 7).
- 28 The salt lands in Sumenep consisted of 287 plots in Maringan, 97 in Kertasada, 282 in Palabunan, 178 in Mundung-Mundung, 205 in Pinggir-Papas, 233 in Nembakor, and 285 in Saroko. In Pamekasan, the salt pans were composed of 568 plots in Mangunan and 513 in Chapak; and in Sampang, 385 plots in Ragung, 285 in Dangpadang, and 192 in Pengaringan (van der Kemp 1894: 272-73, 281-82; Kuntowijoyo 1980: 380).

Dutch supervisors (*opzichters*). Twelve indigenous *mantri*, most bearing the titles *raden*, *kyai*, and *mas*, lightened the task of these Dutch superiors. Besides these management men, there were many indigenous guards (*oppassers*) and field supervisors (*mandors*) recruited to oversee day-to-day salt production activities. In 1934, the administration of the Salt Monopoly was merged with the Opium Monopoly, after which these two monopolies were operated in conjunction with each other under the co-ordination of the Department of State Enterprises (VOZR 1934: 2; Kuntowijoyo 1980: 379).²⁹

For the manufacture of salt briquettes, in 1899 the *Zoutregie* established two factories in Kalianget, Sumenep and in Krampon, Sampang. To boost production, a third factory was built in Mangoenan in 1919. From these factories, the briquette salt was distributed to the salt depots in the four monopoly areas in Java and the Outer Islands. By 1901, a private company had already established a railway link from Kalianget to Kamal, the nearest spot to the port. In 1915, the *Zoutregie* took the first steps to develop its own shipping line to ensure the salt supply could reach salt depots in Java on time. For its shipments to salt depots in the Outer Islands, the *Zoutregie* depended on the existing routes served by the KPM. Within a short time, Kalianget was flourishing as a busy salt port from where the briquette salt was shipped to other islands in the Archipelago (de Jonge 1993: 168). In his memorandum, van Braam (1919: 6), the head of Salt Monopoly, noted that this network was still far from adequate and transportation still remained a major problem for the Salt Monopoly. An integrated transport network at sea between the islands and on land between salt depots, what was desire to resolve the problem. This was one of the causes of salt scarcities in 1909 and 1910. Setting out to find a solution to the bottleneck, by the end of 1917 the *Zoutregie* had formulated a salt transportation network in co-operation with a private transport

29 In this year, the Department of the Opium and Salt Monopolies had 892 staff members in total. Of this number, 560 were working in the Salt Monopoly, and they included 2 top ranking men, 57 middle-ranking staff, 75 lower ranking personnel, 57 monthly labourers (*maandlooners*), and 369 day-labourers (*daglooners*). In addition to this, annually more or less 1,123 outsourcing labourers working in the salt factories and 73 persons in the sea transportation (VOZR 1934: 41).

provider and the local governments. This was designed to connect the activities of salt production units, the manufacturing process, and the sale of processed salt. This co-operation included the railway company, the *Madoera Stoomtram Maatschappij*, the shipping-line *Oost-Java Zeevervoer* and the *Koninklijke Paketvaart Maatschappij* and the Pontianak River transport under the aegis of the local government. To take care of salt distribution in the hinterland, the government maintained the role of intermediate petty traders, mostly Chinese, who purchased the product from the government warehouses to retail it to the population living in remote areas, in Kalimantan and Sumatra for instance (van Braam 1919: 7; VOZR 1934: 44).

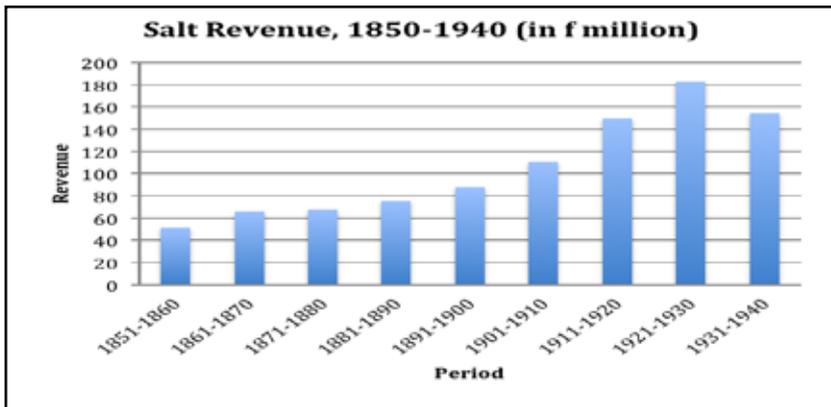
In calculating the price of salt, the *Zoutregie* set a different price for the two products: in 1915 the loose salt was valued at 6.72 guilders per *picul* (61.7 kilos), while the briquette salt was sold at 8 guilders per *picul* (*Verslag betreffende de Zoutregie*, hereafter VZR, 1916: 9). There were price variations in different parts of the Archipelago that were mainly a reflection of the transportation costs. In 1935, for example, in Java and Madura the price of salt briquettes was 0.10 guilders per kg, while in the Outer Islands it was between 0.12 and 0.15 guilders per kg. Loose salt was sold at 3 guilders per 50 kg in Sumatra, 2 guilders in Southern Sulawesi, and 1.55 guilders in Kalimantan. In the Principalities the price was 0.04 guilders per kg (VOZR 1935: 11).

Salt Revenue

In the wake of the rapid population growth and the expansion of the Salt Monopoly administration, the market demand for briquette and raw salt increased considerably. In his memorandum, van Braam (1919: 138) cites the work of Professor Wolf who calculated that between 1890 and 1915 salt demand increased on average about 2 per cent every year, surpassing the rate of population growth that was estimated at about 1.5 to 1.7 per cent. Therefore, it is not surprising the government revenue from the Salt Monopoly between 1850 and 1930 showed a positive trend that stumbled a bit at the onset of the crisis. Figure 6.4 shows that the Salt Monopoly had more than doubled government revenue from about 70 million guilders in 1871–1880 to

about 150 million guilders in 1911–1920. During the crises years of 1931–1940, the salt revenue exceeded the revenue of the *Opiumregie*. Although the economic crisis had caused the salt revenue to fall from about 180 million guilders to about 155 million, it still remained above that of the pre-crisis years. This indicates that the revenue from Salt Monopoly was relatively stable, constituting quite a reliable source of the colonial state finances.

Figure 6.4. Salt revenue, 1851-1940



Source: Mellegers (2004)

More detail statistics on the composition of salt sale and salt revenue only became available after 1925. These statistics show that from 1926 until 1940 most of the revenue from the Salt Monopoly, more than 90 per cent in fact, resulted from the sale of briquette salt that was distributed primarily for consumption purposes and to small-scale industries such as fisheries. This means that as the two most densely populated islands, Java and Madura were the biggest market for salt briquettes, and Sumatra, Kalimantan and other islands shared the remainder. It was reported that, prior to the crisis years of 1930s, the Salt Monopoly in the period of 1926–1930 had sold a total of 715.1 tons of salt briquettes and 139.7 tons loose salt, from which the colonial government earned a total income of 86.5 million

guilders. As mentioned earlier, the 1930 crisis affected the sale of both briquette and loose salt only slightly. In the period 1931–1935, the sale of briquette salt decreased to 636.4 tons and the loose salt to 115.9 tons, while overall total revenue declined to 78.1 million guilders. In the following period, 1936–1940, the situation improved. The sale of both products even jumped to 732.9 tons and 146 tons respectively, but the total revenue yield was ‘only’ 74.1 million guilders. This lower revenue was probably caused by the decline in the salt price on the markets, a trend followed by other commodities during the crisis years of the 1930s (VOZR 1940: 84-85).

Socio-Political Dimension

Unlike the *Opiumregie* that was set up as part of taxation system on consumption and trade, the Dutch colonial officials initially considered the salt monopoly in Madura to be part of a labour service (tax on labour), very much like the Cultivation System (*kultuurdiensten*) in Java. Later, after the Cultivation System and labour service had been abolished, the Salt Monopoly was also considered to be part of the taxation system (Kuntowijoyo 1980: 382). The fact that Salt Monopoly included the salt production process that needed an intensive supply of labour and land, just as did agricultural production, meant that the operation of the *Zoutregie* presented a tricky problem. Although the distribution, manufacture and sale of salt products ran up against almost no substantial barriers; the salt production process was often disrupted by various kinds of protests by local salt makers. Since the government had designated Madura as the salt production centre, most of the information about these protests was reported mainly from this island (van der Kemp 1894).

The colonial government realized from the outset that closing down the existing salt production that had been a source of income of local population for centuries would be impossible. Therefore the Salt Monopoly was intended to do no more than regulate the productive capacity of ‘traditionally operated’ saltpans, and to ensure that local producers sold their salt harvest only to the government. The problem was that, in practice, the Salt Monopoly often injured

the local salt-makers, particularly those living on the southern coast of Madura.³⁰ Besides the fact that the purchase price of salt was now considerably lower, in certain period the government, above all with an eye to preventing overproduction, halted the production of salt without compensating these salt-makers.³¹ Similarly, the conditions of seasonal labourers working in the salt factories were very poor because they were paid so little.³²

The Salt Monopoly adopted the policy of limiting the salt production, for example, in 1875 and 1930, when the dry season was unusually long, allowing the salt farmers to harvest more salt. Overproduction was unavoidable and the government ordered production be stopped and the surplus harvested salt be destroyed. This policy devastated the salt-makers and all the salt labourers, because they were deprived of their main source of income, forcing them to find alternative ways of earning a living. Even in normal times, the salt-makers in Madura were often assailed by various difficulties. Harvest failure was a 'routine' risk in their traditional salt-making process as unexpected rainfall could disrupt the evaporation process of the salt

30 In this part of the island, salt making was as important as agriculture or fisheries as a means of livelihood. Because the traditional technique of salt making depended solely on the weather, the salt-makers alternated their work with other activities. When the weather was bad for salt making, they would use their salt pans for fishponds, or worked deep in the hinterland cultivating the soils. In 1885 it was reported that there were only 2,500 salt-makers in Madura. By 1894, this number had increased to 24,600 plus 6,000 others engaged in salt transportation. In 1918, the number of people working in this sector grew considerably to about 200,000 (*ENI* 1921: 867; Kuntowijoyo 1980: 381).

31 The term 'salt-makers' refers to various groups of participants: compound or salt pan owners, salt-makers, and salt-workers. The first two groups were often composed the same individuals, but the third group consisted mostly of seasonal labourers working for a small fee on private or government owned salt pans (*KV* 1887; Bijlage A; van der Kemp 1894: 272-73). It was reported that the first two groups were quite prosperous. They had good houses, a number of canoes and extravagant life-style, including smoking opium and gambling (Kuntowijoyo 1980: 390).

32 As an illustration, in 1861 the purchasing price of salt increased from 3.50 to 10 guilders per *koyang* (1825 kg) (SvNI 1876 No. 13). It was only about fifty years later that it rose to 14.40 to 17.6 guilders per *koyang* in 1915, but then fell again to 8.93 to 6.50 guilders in 1935. Meanwhile, *koelis* working in the salt-making process or in the factories around 1890 received a daily wage of 30 to 50 cents or 16 to 20 guilders for the whole season. Only after 1920, was the standard wage for salt labourers increased to 75 cent a day, and they received free meal as an additional perk (Kuntowijoyo 1980: 402).

or completely spoil the quality of salt. It was unsurprising therefore that the investigation by the Madura Commission in 1920 found out that the majority of the salt-producing population in Madura were considerably poorer than people in other sector and, to make matters worse, were landless. Unstable production, seriously affecting income, and the lack of credit often forced the salt-makers to apply to wealthier fellow countrymen, or Chinese or Arab moneylenders for a usurious loan using their salt land as surety. In the long-term, this practice could be said to have been the ultimate cause of the 'proletarianization' and landlessness of the salt farmers in this island (*Rapport* 1920: 22-23; Kuntowijoyo 1980: 383).³³

It was natural that local salt-makers would have perceived their difficult situation to have been a result of the 'unjust' government salt policies, particularly those related to the operation of the *Zoutregie*. Consequently, a veritable wave of hostile feelings seized these people that propelled them to undertake various kinds of protest-actions. These ranged from 'soft protest actions', such as clandestine salt production, illegal trade, theft, smuggling, piracy, and the like to 'violent protests', like burning down the government salt facilities (van der Kemp 1894: 297-300). Clandestine production, smuggling, and burning down of salt stores were the worst problems that the *Zoutregie* had had to tackle since the initial years of its operation. To deal with the problems, the government formed a special salt police squad that actively patrolled the salt-producing areas, especially during salt season.³⁴ The colonial government also made some efforts to reduce the social unrest by taking such special measures as raising the purchase price of salt, restricting permission to the Foreign Asians, and providing more credit for salt-makers. These measures, according to de Jonge (1993: 175), brought only temporary relief but did not

33 This was especially prevalent in Sumenep in 1930, when it was reported that from 1,707 saltpans, 298 were in the hand of 7 individuals. One large landowner owned 120 pans; 432 others each owned one plot (*Rapport* 1920: 48; de Jonge 1993: 173).

34 After the merger with the Opium Monopoly, the salt and opium police was also merged and operated under one central command. However, it was apparent that after 1935 the operation costs for the prevention of salt smuggling and clandestine salt production exceeded those of the anti-opium smuggling (*VOZR* 1935-40).

solve the basic problem faced by the salt-makers, who remained poor despite all their work for the Salt Monopoly.

In the second decade of the twentieth century, the salt-related problems in Madura assumed a new dimension when the *Sarekat Islam*, the pioneer social political organization in Java, began to become involved. It was reported that in 1915, a large-scale protest erupted in the course of which the desperate salt-makers refused to work and burned down the government salt-warehouses (van Braam 1917: 103; de Jonge 1993: 175). The SI took the initiative by sending a team to investigate the riot, with the upshot that a petition to be delivered to the colonial government was formulated. Criticizing the Salt Monopoly for having taken the profits from the salt at the expense of the indigenous salt-makers, the petition demanded the government raise the purchase price of salt from 10 to 25 guilders per *koyang* to compensate them. On the basis of its own investigation, the colonial government officially rejected the petition in 1918. The SI refused to give in and its representative in the *Volksraad* brought the petition on the salt issue up for discussion. Meanwhile, the indigenous press played its part by exposing the impoverished conditions in the salt areas to public. Although the SI won support from other parties, the government insisted on rejecting the petition and chose instead to form an enquiry commission to investigate wage conditions and labour relations in the salt areas. The commission, that consisted of government officials and indigenous member of parliament, reached the disappointing conclusion that the employees were satisfied with their wages and therefore there was no reason to raise the purchase price of salt (*Rapport* 1920: 30; de Jonge 1993: 175-76).

In 1920, the government finally accepted the proposed purchase price of salt (25 guilders per *koyang*) on the basis that it was an adjustment to inflation and general rise in the standard of living. This policy restored peace to the salt areas of Madura, but only temporarily. Prior to the crisis years of the 1930s, tension in these areas soared again. In 1934, the colonial government once again took an unpopular decision to prevent overproduction and stabilize the declining salt price. It bought up and closed down about one-fifth of the private

salt pans, offering only minimal compensation. This policy set off protests in several salt areas. In Sumenep, the protests broke out so violently that the local police were forced to take firm action and arrest a large number of protesters eventually sending some of them to jail. Another conflict arose in 1936 when the colonial government planned to convert a graveyard into salt pans, but this was resolved peacefully by negotiation. This plan was part of the scheme to reorganize salt production, with the eventual aim of expropriating all private pans and converting them into a state monopoly. Although the plan would deprive them of their source of livelihood, the salt-makers barely raised any resistances, probably because the government offered fair compensation, and also later instituted the *Madoera-welvaartfonds* or Madura Welfare Fund promising various benefits to the salt-makers community and other population groups in Madura (de Jonge 1993: 178-79).

Aspiring to the spirit of the Ethical Policy, the colonial government introduced the Madura Welfare Fund in 1937. Its main purpose was to stimulate economic development in the island and to improve the general standard of living of the Madurese. With a total allocation of more than 4 million guilders, the government planned some development programmes over a period of fifteen years, after which the island was expected to be able to develop on its own potential (de Jonge 2004: 91).³⁵ The fund was channelled to finance a broad range of development programmes in various important sectors, such as infrastructure, agriculture, education and health sectors. Four years after it had been implemented, before being completely stopped by the Japanese invasion, a study by Grader in 1949 (cited by de Jonge 2004) shows that the project had failed to achieve its objective of raising the level of welfare among the Madurese. Even though admittedly the time was too short, the budget allocated was also too small, and the programmes were not well thought out, being decided more or less on

35 According to de Jonge (2004: 96), the central government allocated a total subsidy of 800,000 guilders to the programme, while the rest of money amounting to about 3.25 million guilders would be paid in instalments by the *Zoutregie*, decreasing from 400,000 guilders in the earlier years to 100,000 guilders in the final years.

the spot. After spending one-quarter of the budget, concrete results were visible only in irrigation works and in other fields results were meagre, superficial or simply invisible. Therefore, de Jonge (2004: 102) concludes that the Madura Welfare Fund was a 'series of fraud' and a 'palliative' action that had nothing to do with the improvement of the living standard of the population. The government used it as cover-up for its efforts to monopolize the salt industry at the price of the impoverished salt-making population of Madura.

Conclusion

Under the auspices of the Ethical Policy that promised, or was at least based on, a new colonial ethos, the administration of government monopolies was primarily directed towards achieving two main objectives. As far as the state was concerned, the most important matters to be improved were the efficiency and accountability of the monopoly system. But, there was also a social aim, namely to reduce their negative consequences for the indigenous population. The overall review of the practice of these monopolies throughout the four final decades of the colonial period produces the definite conclusion that the colonial government had successfully achieved its first target by establishing a more efficient and controllable administration than its predecessor had done, which was run by private partners. Among obvious indicators of this success was the increasing profit margin and revenue that these monopolies brought in, especially during the first two decades of the twentieth century. Besides these financial gains, administrative malpractices and corruption, for example, also diminished.

As they were fiscal institutions, profit orientation was inherent in the mission of these monopolies as the colonial government strove to balance out its finances. The only sour note in this financial and administrative success was that – with the financial profits of these monopolies – the colonial government could have done more to reduce the social consequences of these businesses on the indigenous population. The evidence available shows that the colonial government

allocated only a small budget for this purpose or participated only at a late stage, for example, in the anti-opium campaign. This tends to give the impression that the colonial government was prioritizing its fiscal interest above that of its 'social responsibility'.

The controversial institution of the *Opiumregie* flourished extensively as a profitable enterprise, even during the crises years of the 1920s and 1930s. Certainly the pervasive corruption and maladministration under the previous farming system were reduced, but not completely eliminated, by the establishment of an efficient bureaucracy and a concomitant administrative system. The licence and registration system, and price regulation had succeeded to a certain degree in influencing opium consumption and confining the opium smoking habit to a controllable number of addicted users. A sizeable police squad at sea and on land worked quite effectively to counter the persisting smuggling in various parts of the Archipelago, although again they were powerless to stop the contrabands trade completely. Prior to the end of the colonial period, in combination with various external factors these government efforts did bring about the decline in opium consumption. Since 1909 international pressures to ban the opium trade paved the way for the disappearance of opium (as recreational drug) from the world market, and the 1930s economic depression forced most of the population in the Netherlands Indies back to their subsistence level, so that they had to abandon non-subsistence expenses. After 1930, the colonial government finally also began to pay more serious attention to the opium problem by subsidizing anti-opium campaigns and expanding medical facilities for opium-addicts.

The other two state monopolies, pawnshops and the salt industry, went through a similar development although with differing scales of socio-economic consequences. Throughout the period concerned, the colonial government was quite successful in extending the pawnshop service to the entire Archipelago, improving its administrative efficiency, reducing the malpractices that had haunted it in the past, and delivering loans or credit to more people compared to others credit institutions. Moreover, from a fiscal perspective the pawnshop turned

out to be a quite profitable enterprise. Nevertheless, this success was still not enough to stamp out the influence of illegal credit practices, particularly in vulnerable rural and remote areas that had actually been the original main target of the extension of popular credit. The only social side story was the series of strikes in 1922 but these were merely an internal dynamic in the pawnshop administration that had little to do with its function as a provider of popular credit or with the real economic life of the population.

In comparison, the government Salt Monopoly developed also grew into a highly profitable institution that even surpassed the profit of the *Opiumregie* in the crisis years of 1930s. The price paid was high and took the form of insurgencies that flared up in Madura, the production centre of government Salt Monopoly, particularly in the last decade of Dutch colonial period. The principal cause was the growing encroachment of the Salt Monopoly on the local salt-making industry that had been a source of livelihood for Madurese salt-makers for centuries. The expansion of the Salt Monopoly production benefitted only a tiny group of the local elite, but created more burdens for the Madurese salt-makers who were already battling for a living.

The operation of these state monopolies reveals some evidence of the paradox of the Ethical Policy and the nature of the late colonial state in Indonesia. This paradox is clearly visible in the fact that these government monopolies, that were only one small section of the government enterprises in the period concerned, proved to be highly profitable, particularly after 1920, whereas in precisely that same year government expenditure on welfare programmes began to decline substantially. The colonial government also showed its ambivalence by retaining its opium business in this colony in the face of international pressures, and when it used the monopolies on pawnshops and salt merely as profit-making organizations, but paid far less attention to the efforts to compensate the losses of the local population as a consequence of the operation of these monopolies, best exemplified by the case of salt-making in Madura. In these cases, the ethical aspiration was no more than political lip service. Perhaps it did matter in the early stages but was exhausted or forgotten in due time.

Generally speaking, the operation of these government monopolies clearly indicates some of the character of the late colonial state in Indonesia envisaged by Darwin (1997). It was becoming more ambitious, growing in size and heavily institutionalized. It was also more proactive and developmental up to 1920 and after 1930 in the case of opium. In these brief periods, the very idea of a 'colonial citizenship' (Nordholt 2011) began to gain ground, but then faded away as the economic crisis and the rise of the nationalist movement brought the full force of the repressive nature of the colonial state to light. The upshot was a rise in political activism among various groups of population in the Netherlands Indies seen, by the Dutch, as a threat to the colonial state that had to be quelled instantly and expunged from the annals of the colony.

— CHAPTER 7 —

TAX BURDEN AND ‘FISCAL (DIS)-OBEDIENCE’: SOCIO-POLITICAL ASPECTS OF TAXATION IN LATE COLONIAL INDONESIA, 1910–1942

By the turn of twentieth century, the Dutch colonial government had already established a system by which state officials collected directly all taxes in the Netherlands Indies. Acknowledging the ethos of the Ethical Policy, the colonial government hoped that the new tax system to be more efficient, accountable and just. Were it to be so, it would set right the persistent problems embedded in the previous system. As described in Chapter 5 the government monopolies had had to battle with the recurrent problems of corruption, revenue drain, and power abuse. Obviously, these were the principal dilemmas to be addressed, but the tax administrators also had still one more additional major hurdle to tackle, the problem of the excessive taxation on the indigenous population. Just before the Queen Wilhelmina proclaimed the Ethical Policy in 1901, Pieter Brooshooft, a prominent journalist, reminded the colonial government of the problem of over-taxation in the colony. He believed that over-taxation was one of the factors contributing to the declining welfare of the local population in the

colony. On these grounds, he asked the colonial government to take measures to resolve the problem as part of the welfare programmes being introduced to improve the living conditions of the Javanese and other population groups (Brooshooft 1901, reprinted 1977: 76).

In the first two decades of the new century, the colonial government cannot be accused of renegeing on its commitment to address the over-taxation issue, its efforts most prominently visible in its tax reform policy, but by the 1920s, a serious contraction in colonial finances had undermined this commitment and derailed beneficent inclination of colonial policy in general. The fiscal policies that had initially been drawn up to follow the blueprint of welfare programmes of the Ethical Policy now collided with the need to boost the diminishing financial basis of the Netherlands Indies, and these conflicting interests marked fiscal politics in the Netherlands Indies during the 1920s and 1930s. In these two decades, the government reformulated its spending policies to comply with the exigencies imposed the implementation of the '*bezuiniging*' (austerity) policies. Although it did take the opportunity to introduce further tax reforms, its purpose was to raise the yield from tax revenue.

Table 7.1 presents empirical evidence of how the government tax revenue during this period rose enormously from 56.8 million guilders in 1900–1904 to 342.6 million guilders in 1925–1929, after which it declined slightly to 250.9 million guilders in the following period, 1930–1934. As a percentage of the national income, total tax revenue rose from about 7 per cent during the 1920s to over 10 per cent in the 1930s (*CEI 2* 1976: Table 4). Of course, during the same period the colonial government was also in receipt of revenue from non-tax sources, namely from the 'traditional sectors' of agriculture and non-agricultural primary industry including tin-extraction, forestry, and coal-mines; as well as from such government enterprises as harbour works, electricity, printing office, the post, telephone and telegraph services, railways, tramways and bus services (Booth 1980: 94).

Table 7.1. Government Revenue in the Netherlands Indies, 1900–1939
(in million guilders)

Year	Taxes	Utilities	Other	Total Revenues	Of which	
					The Netherlands Indies	Netherlands
1900-4	56.8	84.1	6.6	147.5	116.1	31.4
1905-9	69.0	97.1	8.0	174.2	146.5	27.7
1910-14	94.2	142.8	11.4	248.4	210.7	37.7
1915-19	127.5	204.6	38.4	370.5	355.1	15.4
1920-24	310.1	281.8	106.2	698.1	680.1	17.9
1925-29	342.6	315.9	72.1	730.6	700.2	30.4
1930-34	250.9	153.5	51.1	455.5	449.5	6.0
1935-39	273.3	98.3	61.9	433.5	409.1	24.4

Note: figures are five-year average

Sources: *CEI 2* (1976, Table 4) and Booth (1980: 95, Table 2).

The thrust of this chapter is to question whether or not the rise in tax revenue in this period was actually followed by an increased burden of taxation on the indigenous population or whether it was merely one outcome of the increasing efficiency of the tax administration. After 1920, the colonial government conducted three investigations into the problem of tax burden on the local population in various parts of the Netherlands Indies. These initiatives showed the government did recognize the importance of the tax burden issues, although the realization seems to have dawned a little bit late, as the 'honey moon' period of the Ethical Policy ended in the mid-1920s. These investigations produced rich data on the distribution of the tax burden on the local population in different regions of Java and Sumatra. The first investigation was carried out in 1926 in Java and Madura (Ranneft and Huender 1926). The second was conducted in the province of Sumatra's West Coast in 1928, followed by the third in 1929 in the provinces of Sumatra's East Coast and Lampung (van Ginkel 1929).

These tax burden investigations are used as starting-points from which to pursue an examination of the issue of the tax burden in

late colonial Indonesia. The findings of these investigations will be compared with current estimates to obtain a more robust evaluation of the burden of taxation in the period concerned. It is hoped that this method will answer the question of the extent of tax equity among different groups of the population that presumably differed largely in racial origin. Given the undoubted importance of the rising nationalist movement in this period, the reactions of the Indonesian nationalist leaders, as well as those of Chinese and Europeans, to the tax policies of the colonial government, will also be examined. This section also includes a discussion of matters related to taxation in such formal institutions as the *Volksraad* (People's Council), political parties and the likes, but it also looks at popular expressions of public opinion in different parts of the colony.

The Investigations into the Tax Burden

From the mid-nineteenth century, in its colonial administration it had become a customary practice for the cautious Dutch government to appoint a fact-finding commission to collect empirical information before making any decision in response to upheavals such as disasters, social disruption and political disputes arising from certain colonial policies (Hüsken 1994: 213-14). This pattern was repeated in 1920, when the colonial government was planning to increase tax revenue to compensate the financial deficit it had suffered from the global economic contraction during the World War I. The government appointed a Committee for the Revision of the Tax System in the Netherlands Indies (*Commissie tot Herziening van het Belastingstelsel in Nederlandsch-Indië*) on 5 July 1922, with the remit to evaluate the extant tax system and to formulate a blueprint for its revision.

To aid the task of the tax reform commission, in 1925, 1927 and 1928 the colonial government launched a series of investigations into the tax burden on the indigenous people. These investigations were primarily intended to supply the committee with empirical evidence of the workings of taxation and its effect on the welfare of the population, on the basis of which the committee was expected to formulate

recommendations for a tax reform agenda (Wellenstein 1925: 23). There was also another motive, the tax burden enquiries were also planned a response to the controversy aroused by the government plans to increase tax revenue. Some groups, prominent among them journalists and people with a humanitarian concern, argued that the government plan to increase tax revenue would create a heavier burden on the indigenous population that was already taxed to the hilt of their financial capacity. Others, mainly European businessmen or their representatives, also expressed objections from their own perspective, stating that the government plan would be a potential hindrance to their businesses, that had actually contributed the lion's share of tax revenue in the Netherlands Indies (van Brink 1928: 1-2).

Curiously enough, the Diminished Welfare Enquiry (*Mindere Welvaart Onderzoek*), the most ambitious and comprehensive investigation into the diminishing socio-economic condition of the indigenous people in Java and Madura in the first decade of the twentieth century, conducted to provide the empirical basis for the welfare programme of the Ethical Policy, had paid less attention to the issue of the tax burden.¹ In his summary of this enquiry, Hasselman (1914) notes that it only briefly mentions two categories of taxes that most of the population surveyed paid, namely the tax in money and that in labour, but that it did not look at their impact on people's income.² The first tax group included land tax (*landrent*), the cattle slaughtering tax, the poll tax (as a replacement for corvée labour), the fishery tax, the tax for crossing-river, and Islamic taxes (*zakat*). Hasselman concludes that by and large these taxes did not cast too heavy a burden on the Javanese and hence had made no significant

1 Furnivall (1944: 393-34) describes the project as: 'a complete survey of native life: food, land-tenure, methods of cultivation, irrigation, and indebtedness; the state of fisheries, and of industry and commerce; and the influence of European enterprise and of Foreign Orientals on native life and welfare'. For various reasons, the Principalities (*Vorstenlanden*) and Private Estates (*Particuliere Landen*) were excluded from the investigation. The final report was available only after 1914. It was published in 45 volumes containing 12 sections of discussion.

2 Hasselman (1914) as cited by Hüsken (1994: 216) calls the report as 'stewpoot of surmise' (*brouwketel van opvattingen*), referring to the methodological weakness of the enquiry, its cursory nature, and the many contradictory opinions it presented.

contribution to their declining welfare. However, the other two types of traditional taxes in labour: village service (*dessadiensten*) and corvée labour (*heerendiensten*) did oppress the peasants because on average they swallowed up more than one-third of their daily work time (Hasselman 1914: 309-15).

The Investigation into the Tax Burden in Java and Madura

J. W. Meijer Ranneft, an Assistant-Resident, and Dr. W. Huender, Inspector in the Colonial Civil Service (*Binnenlandsch Bestuur*), conducted the first tax burden enquiry which concentrated on the situation in Java and Madura. The investigation lasted about six months, from April until October 1925. The two investigators personally visited all Residencies in Java and Madura to collect data with the help of local officials, mostly agriculture affairs advisors and inspectors of popular credit.³ After collection, the local data were combined with those from the Committee for Revision of the Tax-System. Assistance in processing data was provided by the Office of Statistics. Originally, the enquiry had been set up with two purposes in mind, namely to collect information about the tax burden on Javanese living in rural areas, including the burden of village labour services (*dessadiensten*) and the impact of the land tax (*landrente*) on agricultural production. In his introduction, Meijer Ranneft admits that the investigation had faced three basic problems: the time allocated was simply too short, the written evidence was exclusively official, hence from a government perspective, and the statistical evidence was largely based on estimates. On these grounds, he prefers to refer to the resultant rapport as a “provisional examination” (*voorloopige verkenning*) (Meijer Ranneft & Huender 1926: 2).

Despite his misgivings, Meijer Ranneft and Huender’s report presents detailed, rich data revealing the extent of the distribution

3 Overall the investigation collected data on annual income of population and tax payments from 20 districts and 26 sample villages. The enquiry was completed in October 1925, but available to the public only after 1926 when the Government Printing Office published it under title *Onderzoek naar den Belastingdruk op de Inlandsche Bevolking*.

of tax burden among the Javanese people in various regions of Java between 1913 and 1924. One shortcoming is that Meijer Ranneft and Huender give no explicit definition or method of calculation for the concept of tax burden they employed. They had approached the idea of a tax burden by comparing the total amount of money spent by people on tax payments with total income earned each year in money or goods (assets). Therefore, this enquiry listed all the taxes imposed on the Javanese, and classified them into four groups: direct taxes, indirect taxes, taxes in the form of monopolies and local taxes including labour services such as *heerendiensten*, *dessadiensten*, and the like. In their report, Meijer Ranneft and Huender list about twenty kinds of taxes in total imposed throughout the whole area under investigation.⁴

During the period concerned, Meijer Ranneft and Huender state that the quantifiable elements in the income of the population (*meetbare elementen van het volksinkomen*) in Java rose from 542 million guilders in 1913 to 961 million guilders in 1924. Outstripping these, total tax payments had also risen significantly. Direct taxation increased from 26.1 million guilders in 1913 to 46.7 million guilders in 1924 and indirect taxation from 17.5 million to 39.2 million guilders. The tax of monopolies likewise grew from 9.2 million to 17.4 million guilders, or 78.9, 124, and 89.1 per cent. Combined, the revenue from these three groups of taxes rose from 52.8 million guilders in 1913 to 103.3 million guilders in 1924,⁵ and this was followed by an increase in tax *per capita* of from 1.19 guilders per head in 1913, when total Javanese population was about 44.2 million, to 1.96 guilders per

4 The direct taxes included land tax, a fishery and fishpond tax, taxes on cultivated land, indigenous *verponding* tax, increment tax (rise in value tax), poll tax, income tax, and personal tax); the indirect taxes consisted of cattle slaughtering tax, import and excise duties, export tax, stamp duty, tax on public sales and lottery, and the taxes in form of monopolies on opium, salt, pawnshops. The inquiry also examined the local taxes and the village levies (*dessalasten*).

5 These were gross values, from which the costs of tax collection had yet to be deducted. In 1924, the cost of tax collection was quite high and each of the taxes was required to cover more than 3 per cent of their yield to cover it. Land tax, income tax, and poll tax had the highest percentage of cost collection with 13.4 per cent, 9.8 per cent and 9 per cent respectively; and export tax and excise had cost the least with 3 and 3.9 per cent respectively (Meijer Ranneft & Huender 1926: 18).

head in 1924 when the population had risen to about 52.8 million. Of course, the rise in expenditure on taxes had increased in step with the growth in income. However, actually the share of the Javanese tax payments to the total government tax revenue since 1913 had actually declined from 59.5 per cent to 43.8 per cent in 1920 and 33.7 per cent in 1924. Furthermore, as a percentage of the total tax revenue of the Netherlands Indies, the share of the Javanese tax contribution in the same years declined from 42.7 per cent to 34.8 per cent and then to 27 per cent (Meijer Ranneft & Huender 1926: 5–6, 16).

Table 7.2. Income of the Javanese Population and Its Share in Tax Payments, 1913-1924 (in million guilders)

Year	Total Population (in million)	Total income	Total indigenous tax payment	Tax revenue from direct and indirect taxes	Total direct and indirect taxes paid by indigenous
1913	44.2	542	53	74	44
1920	48.3	1,374	80	162	71
1924	51	961	103	255	86

Source: Meijer Ranneft & Huender (1926: 5, 25).

For the year 1924, Meijer Ranneft and Huender's estimate shows a regional variation in tax rate *per capita* among the Javanese people, that was attributed largely to different rates of population density, the number of taxpayers and the types of local taxes. As presented in Table 7.3, three Residencies in the east of Java, namely Surabaya, Kediri and Besuki, stood out as the highest tax *per capita* regions in Java, with 4.51, 4.31, and 4.00 guilders respectively. Surakarta and Madura were the two Residencies with the lowest tax *per capita* rate, namely 2.34 and 2.41 guilders respectively. In each of Residency, as Meijer Ranneft and Huender elucidate, landowner peasants and village administrators generally paid more taxes than the other population groups. In some Residencies with growing urban economic sectors, as among them Cirebon, Semarang and Surabaya, traders and those

working in industry and off-farm activities were equally important as taxpayers as peasants in rural areas. This composition of taxpayers explains why *landrent*, poll tax, and income tax emerged as the three biggest contributors to Javanese tax revenue in 1924 (Meijer Ranneft & Huender 1926: 20–22).⁶

Meijer Ranneft and Huender argue that the ratio between income and total expenditure on tax payments provided an approximate measurement of the financial capacity (*draagkracht*) of the population to pay taxes. Perhaps too sweeping a conclusion as this was only one aspect of the 'burden' of taxation. Other factors, including the manner and timing of the tax collection and psychological factors, especially how daily needs were perceived and the real value of the money the population spent on taxes compared to actual food prices at the market, also played a significant role. Meijer Ranneft and Huender admit these factors are incalculable, because they involved the subjectivity of the taxpayers who were had to deal with disparate conditions. Leaving aside these criticisms, they do note that peasants and those working in the agricultural sector had initially experienced a palpable decline in their tax burden, but later it had increased far more markedly. In contrast, the 'industrialists' and workers had experienced difficulties at first, but when taxation rose, they had been compensated by an increasing income. Those on a fixed income, particularly civil servants, were continuously disadvantaged, as tax increased over years but their salaries remained unchanged (Meijer Ranneft & Huender 1922: 26–27).

6 In terms of its original remit the tax burden enquiry was intended to survey twelve occupational groups to calculate the distribution of the tax burden among the different groups of the population. The twelve targeted taxpayers were: 1) government officials and civil servants (*gouvernementsambtenaren*); 2) village heads and village administrators; 3) religious officials and leaders; 4) workers on plantation and in factories, both private Chinese or European businesses; 5) owners of a big acreage of rice-fields or *sawah*, the wealthiest peasants; 6) owners mid-range acreage of *sawah* with a sizable income; 7) cultivators of a small acreage of *sawah*; 8) peasants with share farming agreements; 9) agricultural labourers working in indigenous agriculture; 10) The merchants or wholesale traders or the owners of indigenous businesses with a certain number of employers (batik workshop, cassava factories, etc.); 11) the *toekang*, petty traders, and the like who had independent businesses; and 12) freelance labourers (Wellenstein 1926: 113-14).

Table 7.3. Regional Breakdown of Tax Per Capita in Java in 1924 (in guilders)

Residencies	Direct Taxes	Local Taxes	'National' Taxes	'National' and Local Taxes
Banten	1.64	0.03	2.88	3.01
Batavia	-	-	-	-
Priangan	1.38	0.03	2.70	3.15
Cirebon	1.62	0.02	3.02	3.15
Pekalongan	1.55	0.01	3.05	3.23
Semarang	1.47	0.02	3.17	3.46
Banyumas	1.23	0.02	2.57	2.69
Kedu	1.31	0.01	3.03	3.25
Yogyakarta	-	-	-	2.94
Surakarta	-	-	-	2.34
Rembang	1.11	-	2.49	2.59
Madiun	1.12	0.03	2.74	2.97
Kediri	1.57	0.04	3.30	3.57
Surabaya	1.91	0.05	3.98	4.51
Pasuruan	2.02	0.01	3.93	4.31
Besuki	2.15	0.01	3.82	4.0
Madura	0.81	-	2.26	2.41

Source: Meijer Ranneft & Huender (1926: 20).

On the basis of these findings, Meijer Ranneft and Huender conclude that after 1913 the total taxpayers' burden had grown relatively heavy. The group of landowners in rural areas bore the heaviest tax burden, as they were the group most liable to be taxed. Nevertheless, when the tax was being collected, this population group caused the administrators no problem, although they had to pay a significant amount of tax revenue. Generally speaking, Meijer Ranneft and Huender reckon that the existing taxation system caused no significant disturbance to economic life, although some taxes did spark off unintended petty frictions among the population, including

resentment aroused by the inequality of the tax assessment and tax rate. Lastly, Meijer Ranneft and Huender condemned the taxation system in Java from 1913–1924 as generally inefficient. This inefficiency explained why the revenue collected lagged behind the needs of the state and why the tax collection often had detrimental direct and indirect effects on the government. To circumvent these problems, they suggest that, to increase efficiency the new taxation system should be more flexible and more adaptable in its assessments (Meijer Ranneft & Huender 1926: 29).

In the concluding part of their report, Meijer Ranneft and Huender set out their recommendations for tax reforms. After identifying three basic problems in the existing tax system, namely the lack of flexibility (*onvoldoende soepelheid*), the unevenness of the tax burden, and the inflation which affected the living conditions of taxpayers, they suggest a modification and simplification of the three most important direct taxes: the land, poll, and income taxes. Deliberating on the land tax, Meijer Ranneft and Huender give it their seal of approval as the best way to tax the income of the population derived from landed property in Java, and therefore the existing regulation needed only a few minor revisions. The other two taxes, the poll and income taxes, should be merged to become one income tax. They consider the poll tax as the more burdensome of the two and its abolition would be the first step on the road to either improving the land tax, or replacing it with a surcharge on land tax. Meijer Ranneft and Huender believe this was the right solution to resolve the problem of the rather defective foundation of the poll tax in past years (Meijer Ranneft and Huender 1926: 156–57).

The Investigation into The Tax burden in The Outer Islands

Following the success of the tax burden investigation in Java, the colonial government launched similar investigations in Sumatra, and also collected data from selected areas in Kalimantan, Sulawesi and Bali. Fievez de Malines van Ginkel, a senior controller in the Colonial Civil Service (*Binnenlandsch Bestuur*) for the Outer Islands was appointed project leader. Van Ginkel carried out his investigation from 1927 to

1928, assisted by local tax administrators and officials at the Central Statistic Office in Batavia. Just as the tax burden investigation in Java had been, van Ginkel's investigation in the Outer Islands was conducted in accordance with the visions of the Tax Reform Commission of 1922. Its main objectives were to collect data on the way existing taxes worked and on the distribution of the tax burden on the local people in these regions. The investigation resulted in three reports: on the province of Sumatra's East Coast, on the province of Sumatra's West Coast and on Lampung, which appeared in sequence in September 1927, December 1928 and January 1929 (van Ginkel 1929: 2).

For his investigation, van Ginkel selected twenty sample areas: twelve in Sumatra, two in Kalimantan, two in Bali and Lombok, and four in Sulawesi. His selection was based on the following criteria: these areas had one or more important export crop commodities providing part of the population's income; the crops exported had already been taxed; the nature of the overall taxes imposed to the population was determined by the fact that the most important direct tax was income tax rather than land tax; the districts were governed by a direct (Dutch) administration rather than by an autonomous administration (*zelfbestuur*); and, lastly, the local government was more or less indigenous. From data on these criteria, van Ginkel believed that his investigations would produce a correct overview of the vast economic diversity of the Outer Islands, the average income of the population and the amount of money they spent on tax payments and from these figures the scale of the tax burden over the years concerned could be estimated (van Ginkel 1929: 6–8).

Realizing that to cover all the kinds of taxes imposed in the entire Outer Islands would be simply impossible, van Ginkel focused on only three groups of taxes, namely 'national' taxes imposed only by the national authority, 'national' taxes imposed jointly by the national and local authorities, and local taxes imposed by local autonomous administrations (*zelfbestuursbelastingen*). The three groups of taxes included income tax, land tax, export duty, personal tax, slaughtering tax, labour service, and local export tax. Table 7.4 presents detailed information on van Ginkel's estimates of the tax burden on local

populations in the selected areas in 1927. Van Ginkel defined the tax burden as the total tax payment as a percentage of annual income *per capita*. Although far from representing the actual conditions in the Outer Islands, van Ginkel's estimates do provide an early account of the tax burden in the selected regions in Sumatra, Kalimantan, Bali-Lombok and Sulawesi.

From Table 7.4, it can be inferred that income tax and export duty were the two most important taxes in the Outer Islands. This is logical because indigenous taxpayers in these regions earned the bulk of their livelihood from export agriculture and trade (Thee Kian Wie 1989: 133-58; Touwen 2001). Consequently, land tax in the Outer Islands was of little importance. Bali and Lombok were the two exceptions, as land tax and labour service were imposed intensively in these two islands, where the ecology and social structure bore a close resemblance to those in Java. Van Ginkel report shows the areas selected in Jambi, Bengkulu and Riau showed a much higher level of annual income *per capita* than the rest, ranging from 114.6 to 173 guilders. Interestingly, there was a gap in the percentage of tax payments by the population in these areas. In 1927, for example, the local population in Balikkbukit district of Bengkulu, with an average income of 139.4 guilders per year, spent only 2.7 per cent of their income on tax payments – the lowest in fact, whereas the population of Jambi which had average income of 164.7 guilders spent as much as 9.5 per cent on taxes.

Table 7.4 also shows that Bali and Selayar, off Sulawesi, were among the lowest income *per capita* areas, but were heavily taxed. The population of the Wongajagede and Baturiti districts of Bali had an annual income *per capita* of only 19.2 and 17.1 guilders respectively, but they had to spend 9.2 and 11.75 per cent of their income on taxes in money and in labour. Similarly, the population of Selayar, with an income *per capita* of only 16.3 guilders, spent 11.29 per cent of it to pay taxes. In the Outer Islands, such a high rate tax proportion to income was seen only in Sigli, Aceh, and Martapura, Southeast Kalimantan, where the population spent 6.57 per cent and 7.5 per cent of their annual income of 29.6 and 41.7 guilders respectively to pay their taxes, a lower level of tax burden compared to those in Bali and Sulawesi.

Table 7.4. Tax Per Head in the Outer Islands in 1927 (in guilders)

Regions	Annual Income <i>per capita</i>	Percentage of each taxes in the population income							Total Percentage
		Income Tax	Land Tax	Export Duty	Local Export Duty	Personal Tax	Slaughter-ering Tax	Labor Service*	
Palembang	f65.0	4.58	-	2.28	-	0.16	0.16	1.84	9.02
Muara Dua (Palembang)	61.6	5.74	-	0.03	-	0.11	0.11	0.92	6.91
Marga Samengdo (Palembang)	53.5	5.27	-	-	-	0.06	0.07	-	5.40
Jambi	164.7	3.91	-	5.36	-	0.04	0.09	0.12	9.52
Muara Tebo (Jambi)	157.2	3.74	-	4.51	-	0.01	0.04	0.31	8.61
Muara Bungo (Jambi)	125.9	4.96	-	4.0	-	0.04	0.15	-	9.15
Sarolangun (Jambi)	173.6	3.1	-	4.5	-	0.01	0.06	0.17	7.84
Balikbukit (Bengkulu)	139.4	2.29	-	-	-	0.01	0.02	0.39	2.71
Indragiri (Riau)	114.6	2.44	-	2.89	0.22	0.003	0.006	0.91	6.47
Kuantan (Riau)	143.0	1.93	-	3.33	-	-	0.11	0.23	5.60
Idi (Aceh)	52.7	3.07	-	1.69	2.14	-	0.25	1.18	8.33
Sigli (Aceh)	29.6	3.74	-	0.02	0.62	-	0.32	1.87	6.57
Martapura (Kalimantan)	41.7	3.12	-	1.51	-	0.03	0.23	2.58	7.47
Barabai (Kalimantan)	62.3	0.9	3.04	3.81	-	0.01	0.13	1.84	9.73
Wongajagede (Bali)	19.2	0.19	3.91	-	-	-	0.75	4.35	9.20
Baturiti (Bali)	17.1	0.4	2.45	-	-	-	1.92	6.98	11.75
Banggai, Totikom and Labobo (Menado)	50.6	4.71	-	2.79	0.01	-	0.01	-	7.52
Tolitoli (Menado)	66.5	4.99	-	2.13	0.43	0.06	0.01	0.56	8.18
Donggala (Menado)	62.8	4.64	-	3.02	2.23	0.16	0.04	1.49	11.58
Bone (Sulawesi)	27.3	4.3	-	-	0.001	-	0.1	1.05	5.45
Selayar (Sulawesi)	16.3	9.34	-	1.1	-	0.03	0.17	0.65	11.29

Note: * Redemption in money value

Source: van Ginkel (1929: 16–19)

Van Ginkel admits that the percentage of the tax burdens in his report was very high, sometimes disproportionately so. But, nevertheless, he argues that this was understandable because the

income of the population and the economic conditions of the local populations in the selected areas were quite 'propitious' as a result of the expanding trade and the increasing circulation of money there. Nevertheless, van Ginkel does say that the tax burden was not distributed equally, either between the regions or between the different groups in the population. In most of the selected areas, the tax burden was really high, on average above 10 per cent of annual income *per capita*, but in other areas, notably in Palembang, Bengkulu and Indragiri in Riau, where annual income *per capita* was relatively high, the tax burden was below 10 per cent. Reviewing income tax, Ginkel estimates that about 70 per cent of the 1927 revenue was collected from the lowest strata income class, namely those with annual income of 120–300 guilders. The rest of revenue was collected from a tiny higher-income group. Weighing up the regional distribution of the tax burden, van Ginkel attributes the existing inequalities to the disparate composition of the tax structure, the existing taxable economic sectors, the numbers of taxpayers and the tax administration in the selected areas (van Ginkel 1929: 20-21, 30-31).

Defining the tax burden as ratio between the amounts of tax payment to income, in his conclusion Ginkel stresses that the tax burden among the indigenous people in the Outer Islands was almost the same as in Java, and that petty landowner peasants in the Outer Islands shouldered the heaviest tax burden, a mirror image of the situation in Java. The only difference was that in Java the peasants' tax burden was aggravated by enormous village levies extracted in money or labour, whereas in the Outer Islands – except Bali – this did not happen. In short, he thought that nowhere in these areas was an excessive tax burden found, and there was no economic disruption caused by the workings of taxation system. During the surveys, van Ginkel adds, complaints and objections about the present tax burden had not been encountered, although concerns were voiced about some exceptional taxes. The opposition was not always based on economic reasons, but was often on the outcome of psychological factors. The income tax, for example, was criticized as being heavier for groups and individuals whose incomes were known more precisely, although the

rate was still considered reasonable. The redemption of 'statute labour' on service (*heerendiensten*) at 1.5 per cent of annual income was also considered unfair, because this redemption was granted only to certain groups of local people in certain areas and was not implemented equally everywhere. Complaints were also voiced claiming that the rates of the personal tax and the slaughtering tax were too high. Van Ginkel agrees with these grievances and proposes that the new tax rates should be adjusted to local conditions (van Ginkel 1930: 2-3).

Other Enquiries on The Tax Burden and Population Income

In the wake of these official tax burden enquiries, some colonial experts conducted individual research into the income of the population and the burden of taxation among the Javanese people. Although not all of these studies were in direct response to the government tax burden enquires, they provide alternative perspectives on the tax burden issue in the Netherlands Indies. The studies by J. H. Boeke and L. Götzen are two notable examples. Boeke's 1924 qualitative survey focuses primarily on the budget of Javanese households in rural areas, and its purpose was to uncover how the Javanese peasant households managed their income and expenditure on one-year basis. Boeke explains that his informants were selected at random from three categories of agricultural area in Java and Madura: households in villages with irrigated land (*sawah*), households in villages located on higher ground with irrigated and non-irrigated land (*tegalan*), and households in villages with less productive clay soils and scanty rainfall (Boeke 1926: 229).⁷

Boeke's data show a gap in income and an inequality of the tax burden distribution among the Javanese people in different parts of Java and Madura. Of a total of twenty-nine households, only seven households had an income of more than 750 guilders a year, sixteen households earned 200–700 guilders per year, and the remaining six

7 In total, Boeke's study surveyed 29 households from the following Regencies: Banten, Priangan, Tegal, Pematang, Brebes, Pekalongan, Magelang, Trenggalek, Blitar, Tulungagung, Jombang, Sidoarjo, Jember, Madiun, and Pamekasan of Madura (Boeke 1926: 229-334).

households earned less than 200 guilders. In this income distribution, the majority of the households surveyed allocated less than 10 per cent of their expenditure to pay taxes. The highest percentages of tax payment in the household expenditure were 20.9 per cent and 31.4 per cent, claimed by informants in Banten and Jombang, whose an annual income was 1,286 guilders and 398.5 guilders respectively. The lowest percentage, 0.7 per cent, was found in Trenggalek and Tulungagung in the households that earned 226.8 and 382.3 guilders a year. The biggest portion of the tax expenditure of these households was allocated to the land tax (*landrent*), income tax, poll tax and various local retributions.⁸

Unlike Boeke, Götzen's study evaluates the link between taxation and income among the Netherlands Indies population, and he uses the Meijer Ranneft and Huender's and van Ginkel's tax burden reports as the basis for his study. Criticizing some methodological weaknesses in the findings of Meijer Ranneft and Huender and van Ginkel, Götzen presents new estimates of the burden of taxation among indigenous and non-indigenous population, presented in Table 7.5. One interesting point that Götzen makes is that, in the years concerned, the burden of taxation on the non-indigenous population in general was much heavier than that on the indigenous population, since the former spent a higher percentage of their income on taxes than the latter. An exception occurred only for 1931 when the percentage gap between the two population groups was slightly narrower than it had been in the previous years, but in 1932 the difference increased again. Unfortunately, Götzen did not delve more deeply to attempt to explain the distribution of the tax burden on the non-indigenous population, although he implies Europeans spent the highest percentage of their income on taxes.

8 A similar survey, but with a bigger number of informants, was conducted in 1939–1940, but focused on the budget of worker (*koelie*) households (plantation workers, factory workers, foremen and tradesmen, and farmers). Unfortunately, on the expenditure side, this survey displays only expenditure on the sustenance needs, and presents nothing related to the tax expenditure of the worker households surveyed (Huizenga 1958).

On the basis of this calculation, Götzen argues that, during the period concerned, the income of the population had declined as a consequence of the falling prices of basic food products, but that the percentage of tax payments to income had increased year on year. Assuming that the ratio of the indigenous population in Java and the Outer Islands was 2 to 1 (or even 3:1), Götzen reckons that those living in the Outer Islands paid a higher percentage of tax than their fellow countrymen in Java and Madura. Local taxes, labour tax and tax in the form of monopolies in the Outer Islands were four times higher than in Java and Madura. In 1930, when more reliable population data became available, Götzen calculates that the tax *per capita* among the indigenous population was as follows: 2.57 guilders for Java and Madura, 4.52 guilders for the Outer Islands, and 3.17 guilders for the whole Netherlands Indies. From this, Götzen concludes that the pressure of the tax burden on the indigenous people in the Outer Islands was heavier than in Java and Madura, a fact he attributes largely to the inflexibility of the labour tax and the local government taxes. Götzen also draws the conclusion that the gap in tax percentage between the indigenous and non-indigenous population was narrowing. In 1926, the difference was still 8.14 per cent and non-indigenous were taxed twice as highly as the indigenous. By 1932 the difference had declined to 6.87 per cent (Götzen 1933: 475-80).

After the publication of Götzen's study, the literature on colonial Indonesia is pretty denuded of any new studies of the tax burden on the Indonesian population during the colonial period. This intellectual silence lasted for almost twenty years, only to be broken after Douglas Paauw and Anne Booth presented their examinations of the tax burden in colonial Indonesia that appeared in 1960 and 1980 respectively.

Table 7.5. Population Income and Tax Burdens in the Netherlands Indies, 1926-1932 (in million guilders)

	1926	1927	1928	1929	1930	1931	1932
1. Income							
Indigenous							
- Java and Madura	1,816	1,797	1,741	1,712	1,643	1,188	858
- The Outer Islands	859	852	825	821	707	498	363
- Total	2,675	2,649	2,566	2,533	2,350	1,686	1,221
Non-Indigenous							
- Total	795	810	862	890	916	780	597
Netherlands Indies (Indigenous + non)	3,470	3,559	3,423	3,423	3,266	2,466	1,818
2. Tax payment*							
Indigenous							
- Java and Madura	116.1	106.1	110.3	114.2	105.1	88.7	73.0
As % of income	6.39	5.90	6.34	6.67	6.40	7.46	8.51
- The Outer Islands	88.3	88.5	90.5	92.3	82.4	69.7	60.6
As % of income	10.28	10.39	10.97	11.25	11.66	14	16.71
- Total	204.4	194.6	200.8	206.5	187.5	158.4	133.6
As % of income	7.64	7.35	7.83	8.15	7.98	9.39	10.95
Non-Indigenous							
- Total tax payment	125.14	127.53	136.52	145.94	135.87	112.96	106.40
- As % of income	15.78	15.47	15.84	16.40	14.83	14.48	17.82

Source: Götzen (1933: 470, 473).

Note: In tax payments, Götzen excludes revenue from company income tax (*venootschapsbelasting*), as he considers that 90 per cent of revenue from this tax accrued outside the Netherlands Indies.

Paauw's study of the tax burden was part of a larger book about financial and economic development in Indonesia. Using data on the tax burden presented by Götzen (1933) and the national income data for the colonial and post-colonial periods produced by Polak (1942) and Neumark (1954), Paauw compares the tax burden in Indonesia before and after Independence. Unlike previous studies which had analysed the issue of the tax burden distribution over different groups of population on racial lines, Paauw examines the issue of tax burden

distribution on the basis of economic sectors which he classifies into two groups: the 'capital-intensive sector' and the 'labour-intensive sector'.⁹ Emphasizing a general historical trend in tax revenue that shifted from the labour-intensive sector (LIS) to the capital-intensive sector (CIS), Paauw estimates that the ratio of tax burden percentage between the two sectors developed from 43:57 in 1929 to 40:60 in 1939. After Independence the ratio of the tax burden percentage between the two sectors had become 36:64. Table 7.6 presents Paauw's comparison of the tax burden percentage between the two sectors in the colonial period.

In contrast to Paauw's study that focuses on tax burden distribution by economic sector, Booth's study presents an analysis of the tax burden distribution between what she calls 'indigenous' and 'other' income groups, the latter consisting of the sum of European and Foreign Asian income. Noting that previous studies of tax burden had been hampered by a dearth of comprehensive national income statistics, Booth uses Polak's estimate of income data in 1942 as benchmark by which to analyse the tax burden in late colonial Indonesia. She argues that national income data can only be used as an indicator of the tax base or taxable capacity to calculate inter-sector tax incidence after these have been adjusted to other indicators, namely indirect taxes (import-export taxes, slaughtering taxes, and excise), subsistence level of income and a moderate degree of progression (Booth 1980:97). Incorporating indirect taxes into income data, Booth says, will produce estimates of tax incidence that approximate market price, because it is assumed that these indirect taxes applied to both the indigenous and non-indigenous population. Booth also believes that a deduction for the subsistence level is necessary because Indonesian *per capita* incomes

9 Paauw's categorization that resembles Boeke's theory of 'economic dualism', based on assumption that Indonesian economy, before and after Independence, as were other underdeveloped economies, was hampered by a limited degree of exposure to western technology that created a sharp dichotomy between the technologically retarded sector and technologically advanced sector. The labour-intensive sectors include all of the non-market economy and the capital-intensive sectors include the remaining economic activities. The indigenous population predominated the first sectors, whereas foreign capital and enterprise were dominant in the second sector, particularly during the late colonial period (Paauw 1960: 202-203).

and their taxable capacity were much lower, hence much less than those of Europeans or Chinese. For this purpose, she adopts Sajogyo's provision of an Indonesian standard subsistence allowance, namely 240 kilograms of rice *per capita* per year.¹⁰ Finally, to refine her estimate, Booth follows Gandhi's experiment in calculating the tax burden in India to include a progression, namely 'by raising per capita tax base adjusted for subsistence to the power of 1.5.'

As a result, Booth formulates three methods of calculation to estimate the relative tax burden in colonial Indonesia in the period 1926-1939, as a ratio of (1) income data of the indigenous and non-indigenous sectors adjusted to incorporate indirect taxes; (2) income data adjusted to incorporate indirect taxes, and subsistence, and (3) income data adjusted to allow for indirect taxes, subsistence, and a degree of progression (Booth 1980: 98-99). The results of Booth's estimate are reproduced in Table 7.7.

10 Sajogyo, a professor of rural sociology, introduced his estimate of a standard Indonesian subsistence allowance, which was widely accepted among Indonesian scholars as well as Indonesian government, in 1977. Sajogyo's estimate is based on the assumption that the subsistence requirements of the Indonesian population are primarily about the need of basic food (calories), and therefore excluded housing and non-food items. Sajogyo did take the latter two factors into account when he calculates the standard of the poverty lines of the Indonesian population (Sajogyo 1977: 10-17, cited by Booth 1980: 97, note no. 11).

Table 7.6. Distribution of Tax Burden by Sector in 1929 and 1939

Type of tax	1929			1939		
	Amount (f million)	CIS (%)	LIS (%)	Amount (f million)	CIS (%)	LIS (%)
1. Income:						
- Business	51.6	100.0		37.0	100.0	
- Personal	54.4	68.3	31.7	36.9	89.8	10.2
- Wage	-	-	-	24.8	85.7	14.3
2. Wealth and Property:						
- Urban real estate	6.8	97.0	3.0	1.4	100.0	
- Household	5.2	94.0	6.0	5.0	97.0	3.0
- Vehicles	-	-	-	0.7	100.0	
- Households				4.0	94.0	6.0
3. Consumption:						
- Slaughter	7.0	20.0	80.0	4.1	20.0	80.0
- Excise	43.2	43.2	56.8	68.4	46.8	53.2
4. Duties:						
- Export	13.0	10.0	90.0	20.6	10.0	90.0
- Import	95.4	51.5	48.5	59.4	50.0	50.0
5. Transaction:						
- Stamp	14.2	90.0	10.0	8.7	90.0	10.0
- Property transfer	2.9	90.0	10.0	1.4	90.0	10.0
- Permits, license, auction, lottery duties	3.9	90.0	10.0	1.8	90.0	10.0
6. Land	36.7		100.0	22.2		100.0
7. Total allocated taxes	334.5	57.0	43.0	296.4	60.0	40.0

Source: Paauw (1960: 403-04, Table C).

Booth formulates the following conclusions from these examinations. The first method resulted in a conclusion that agreed with those of Götzen and Paauw: non-indigenous income was taxed more heavily than indigenous income throughout the entire period. The second method produced a similar estimate but with a little twist: from 1926 to 1934 non-indigenous incomes were taxed more heavily than indigenous incomes, but in the years 1935–1936 the latter suffered a heavier tax burden. The third method presented a complete turn-around, namely, that the indigenous population bore a heavier tax burden throughout the

entire period. Nevertheless, the three methods agree that the tax burden of the two sectors increased with the onset of the economic depression in the 1930s. In percentage terms, the tax burden during the entire period was distributed as follows: the indigenous population bore a heavier burden in the land tax (100 per cent), excise on matches, tobacco, and sugar (around 70 per cent), slaughter tax (80 per cent), and export taxes (90 per cent), whereas the burden of the non-indigenous was heavier in personal income tax and property taxes (70-94 per cent), excise on liquor, and on stamp duty and property conveyancing taxes (on average 90 per cent) (Booth 1980: 100).

Table 7.7. Indicators of Relative Tax Burden, 1926-39

Year	Method 1		Method 2		Method 3	
	Indigenous	Other	Indigenous	Other	Indigenous	Other
1926	3.50	13.37	9.48	13.78	1.86	0.36
1927	3.73	12.83	9.27	13.18	1.79	0.35
1928	4.05	12.59	10.92	12.92	2.26	0.33
1929	4.03	12.74	11.79	13.08	2.52	0.33
1930	3.80	11.66	11.05	11.96	2.43	0.30
1931	4.64	13.93	12.21	14.20	3.03	0.39
1932	4.87	14.46	12.15	14.72	3.35	0.45
1933	5.41	15.25	12.21	15.52	3.51	0.53
1934	6.40	17.29	15.85	17.64	4.90	0.64
1935	6.51	15.42	16.27	15.76	4.98	0.58
1936	8.32	14.61	18.51	14.89	5.40	0.54
1937	6.29	16.14	13.92	16.47	3.72	0.57
1938	5.43	14.49	12.85	14.78	3.53	0.49
1939	5.55	15.71	12.13	16.00	3.21	0.53

- Notes: - Method 1 = $\frac{\text{Total Tax Paid}}{\text{Base}}$
 - Method 2 = $\frac{\text{Total Tax Paid}}{\text{Base minus subsistence}}$
 - Method 3 = $\frac{\text{Total Tax Paid Per capita}}{\text{Base minus subsistence per capita}}$

Sources: Anne Booth (1980: 99, Table 6).

Despite only one method showing that the heaviest burden of taxation fell on the indigenous sector, Booth believes that in reality the burden of taxation among indigenous people was far heavier than would appear from these estimates. She argues that over and above to the formal taxes, since the early colonial period the indigenous population had been burdened by a variety of additional levies and taxes both in labour and in kind. These additional levies were not included in the statistics of total tax revenues that make it seem that the estimated tax burden on the indigenous population had been lightened (Booth 1980:101).¹¹ *Heerendiensten* or statute labour, for example, was a severe burden on the indigenous population, particularly in the regions outside Java, where the tax was introduced partly as a substitute for land tax. In 1925, for example, statute labour in the regions under direct rule was valued at 14.38 million guilders, but in the regions under local rulers the tax had risen to 21.5 million guilders. In these two regions, labour contributions were valued at 30 and 21 cents per day, whereas in the Javanese Principalities it was valued at only 4 cents. In 1939, the burden of *heerendiensten* in the Outer Islands had increased to 22.7 million guilders, much higher than in Java where it was valued at 6.6 million guilders (Booth 1980: 104-105).

Surveying the entire discussion of tax burden in colonial Indonesia, two points that should be stressed emerge. First, the government investigations into the tax burden in the 1920s and subsequent studies showed that colonial taxes on the indigenous population were quite pressing, although these studies arrived at different conclusions about and estimates of the actual tax burden. This leads to the second point that, until the end of colonial period, the colonial tax system was hampered by a lack of both vertical and horizontal equity. As will be explained in the next section, the efforts of the colonial government to create tax equity in the 1920s were relatively unsuccessful. The position of the majority of the Indonesian population in the colonial tax system

11 Booth argues that the burden of taxation among indigenous people in late colonial Indonesia was still light in comparison with that of indigenous populations in other Southeast Asian Region such as in Burma and Vietnam, where colonial authorities imposed a more excessive land tax that wiped out all the profit of the indigenous sectors (Booth 1980: 109).

therefore changed little if not remaining completely stagnant, although in the last four decades of its control the colonial government did introduce a series of tax reforms and new tax regulations.

In Search of Tax Equity: Unification of Tax System

As mentioned above, the investigations into the tax burden on the indigenous population in Java and the Outer Islands were conducted under the auspices of the Committee for Tax Reform appointed in 1922, and the results were expected to help the Committee in formulating well-founded recommendations. In fact, the Committee for Tax Reform did not use the reports as a foundation for its work, because the government required it to conclude its task before the tax burden investigations were completed. Hüsken (1994: 213-14) states that this situation was quite normal, and it was an obstacle most of governmental committees had run up against since the mid-nineteenth century. This was, Hüsken argues, the ultimate reason most of the government-appointed committees had little direct impact on policy-making. In fact, E.P. Wellenstein was the only member of the Committee for Tax Reform to respond to the results of these investigations. In 1925 and 1926, he wrote two lengthy articles reviewing Meijer Ranneft and Huender's report, showing himself rather critical of their findings on three problems arising from taxation: insufficient flexibility, unequal burden and failure to adjust to changing prices and the living conditions of taxpayers. Nevertheless, Wellenstein did agree with Meijer Ranneft and Huender's findings and recommendations (Wellenstein 1925, 1926).

The appointment of this Committee for Tax Reform in 1922 was carried out within the framework of the plan formulated by Governor-General Van Limburg Stirum (1916-1921) to raise tax revenue as a solution to the financial state deficit that had already reached 304 million guilders in 1920 (Taselaar 1998: 219). Another reason it was set up was that the desire of the colonial government to give some good responses to the controversy to which the plan gave rise, particularly the debate about 'the unification of tax system' (*de*

unificatie van het belastingstelsel). This debate centred on the issue of how the tax administration could be improved by establishing a proportional tax assessment for the sake of fairness and equity. Income tax was the hottest issue in this debate because it encompassed the interests of all population groups and business organizations in the Netherlands Indies. The colonial government proposed a new income tax schedule, under which it was to be levied on the personal income of Europeans and those with equal legal status, as well as on corporate or organizational income (*vennootschapsbelasting*) (Brunner 1928: 3-5).¹²

The idea of unifying the colonial tax system had first been raised in the parliamentary debate on the colonial budget in the Lower House (*Tweede Kamer*) of the Netherlands Parliament in 1910. A Member of Parliament, Th. de Meester, had put forward this idea when he addressed the need for the revision of colonial tax regulations in regard to the legal position of the Chinese and other Foreign Asians as Dutch subjects in the Netherlands Indies (*Nederlandse onderdaanschap*). He suggested that the income tax should be based on a uniform standardized rate and that the former racial basis should be got rid of. In this schedule, the Chinese would be given the legal status of 'being Equal of Europeans' (*Gelijkgesteld met Europeanen*) that would make them liable to any of the taxes imposed on Europeans, particularly income tax. Besides this proposal, another Member of Parliament, Vliegen, criticized the gap in the assessment of income tax between Europeans and the indigenous people. He demanded to know why the minimum taxable income for Indigenous people was 50 guilders; whereas for Europeans it was 900 guilders (Brunner 1928: 5).

In a 'Reply to the Floor' (*Memorie van Antwoord*), the Minister of Colonies, De Waal Malefijt (1909-13), dismissed the proposed idea on the grounds that it was not an urgent issue requiring to be addressed immediately, and because the great gap in income tax assessment was based purely on the actual economic conditions of the Europeans, Foreign Asians, and the indigenous population. Referring to his predecessor Minister D. Fock (1905-1908), de Waal Malefijt

12 At this point of time, the levying of income tax was regulated through the *Staatsblad* 1908 No. 298.

explained that the socio-economic position of the Foreign Asians and the indigenous people differed so greatly from that of Europeans, a uniform rate of income tax was not just implausible; it would have been almost impossible to put into practice. Therefore he insisted that a business tax (*bedrijfsbelasting*) was the best scheme for the collection of taxes from these lower income groups of the population. In his review of the debate, Brunner (1928: 7) concludes that the debate was more or less unbridgeable because the Members of Parliament had based their views purely on political interests, whereas the Minister had reasoned from fiscal considerations. The colonial officials in the Netherlands Indies, particularly the Inspectors of Finance, showed no enthusiasm for and remained sceptical about the proposed tax-unification plan. Only a very few of them welcomed it as an option to help address the problem of over-taxation (Brunner 1928: 14-15).

The unification of the tax system continued to be an item on the agenda of discussion in the colonial representative body. In 1918, the colonial government finally showed that it was inclining towards adopting the unification idea when it submitted the draft budget for 1919 to the People's Council (*Volksraad*). A definite bill followed this draft in 1920, including an adjusted assessment scheme and income tax regulations for Europeans and those of equal status, and another set of regulations for the business and other income taxes of the indigenous and the Chinese, as well as for the personal tax on indigenous people. The Chinese representative in the *Volksraad*, H. H. Kan and the Chinese-Malay language newspaper, *Sin Po*, expressed their objections to the proposal, demanding a more equal tax assessment for Chinese to be compared to that of the Japanese, who had gained equal legal status with Europeans. Despite the opposition, the *Volksraad* decided to accept the proposal for tax unification, passing it as a Law on Fiscal Legislation in *Staatsblad 1920 No. 678 and 679* and Law on the Revision of Income Tax in *Staatsblad 1921 No. 312* (Brunner 1928: 19).

Another issue concerned the 1918 plan of the colonial government to raise taxes on exports, products and corporate income.¹³ The

13 The corporations in the Netherlands Indies had in fact been taxed since 1878, when a right to operate a business (*patentrecht*) for Europeans was introduced. In 1905, the tax

government intended to compensate the decline in tax revenue and to replace the rescinded war profit tax on such lucrative commodities as sugar, rubber, and oil that could no longer be justified as a levy after the end of WW I. The big Dutch private enterprises operating in the Netherlands Indies attacked this plan, threatening to oppose it by cutting back on their operations in the colony. The Minister of Colonies and Governor-General Fock stuck to their plan and decided to implement it in 1919 (Taselaar 1998: 226-27). The corporate income tax increased from the 4 per cent of net income and 8 per cent of surplus profits in force since 1913 to 6 and 10 per cent respectively. Closing ranks to underline their opposition to these policies, in 1921 the big Dutch enterprises in the Netherlands Indies formed an alliance called the *Ondernemersraad voor Nederlands-Indië* (Business Association for the Netherlands Indies) to strengthen their bargaining position in their attempts of influencing colonial policy-making.¹⁴

In the following years, this organization played a significant role in the discourse on fiscal policy in the Netherlands Indies because it strove to influence the process of legislation in the framing of the ordinance on corporate income tax that was issued in 1925 (van Aanroij 1979: 119-21; Taselaar 1998: 219). In 1922, the president of this organization M.W.F. Treub,¹⁵ a former Minister of Finance,

was imposed on corporate profits, especially in the sugar industry. In 1908, it became a general income tax for Europeans, which included a tax on public limited companies to replace the levy on the sugar industry. Both were collected as progressive taxes at rate of 5 per cent of the reported capital. In 1917 the government renewed the tax on the sugar industry under the war profit tax scheme or *Oorlogswinstbelasting* (Steinmetz 1933: 83-113).

14 Almost all the big Dutch enterprises operating in the Netherlands Indies joined this organisation. The formal purpose of this organization as stated in its statutes was 'to promote the social importance of the actively operated enterprises in the Netherlands Indies', including establishing the Colonial Institute and a research centre on the colonial economy. In practice, this organization emerged as the most important colonial lobby group that often brought pressure to bear on colonial policy making in The Hague. For the same purpose, in 1923 this organization established a sister organization in Batavia named the *Indische Ondernemersbond* or the Netherlands Indies Entrepreneurs' Union (Taselaar 1998: 108-17).

15 The appointment of M.W.F. Treub as chairman of this organization implies a strong connection between businessmen and the government officials employed in the colonial affairs circle in the Netherlands. Treub agreed to take the job and to resign from his

published a lengthy memorandum about the working of the colonial taxation system and its potential effects on private businesses in the Netherlands Indies.¹⁶ In this publication Treub, a radical liberal known with his anti-socialist views, argued that the practice of colonial taxation, particularly corporate income tax, export duties and product taxes was not fair because it was run inefficiently and imposed disproportionately higher rates on some companies more than others. Examining the progressive approach of the tax, Treub argued that personal and corporate income taxes should be based on the financial capacity of the tax objects. A progressive approach, he said, was therefore possible only if it was applied in moderation and not so much as to obstruct capital formation in the Netherlands Indies. He went on to argue that corporations were not liable to pay income tax, because they did not have an income but operated solely to produce profit for their shareholders. If corporate tax were to be put under income tax, this result in double taxation as such a tax would be levied simultaneously on the profits of the corporation and on the income of their shareholders (*Nota van Treub* 1922: 20-30).

Treub asserted that the corporate tax in the Netherlands Indies was justifiable but that the adoption of a progressive approach had no basis in legal fact. The clarity of the composition of the income tax also left so much to be desired. The tax on net income and additional profits (*extrawinst*) was levied at 10 per cent of the capital, but the tax on excessive profits (*overwinstbelasting*) was levied on the distributed profit (dividends or bonuses) at 8 per cent. The first two types of income tax

long service in the government first as Minister of Agriculture, Industry and Trade and later Finance (1913-18), for a lucrative annual salary of 50,000 guilders (four times higher than his salary as minister) and a compensation of 100,000 guilders (for three years). Although, his appointment was initially only for three years, apparently the *Ondernemersraad* required his services for a longer period. In total, he chaired the organization for almost a decade, from 1 November 1921 to 1 January 1931, just three months before he died in April 1931 (Taselaar 1998: 110).

- 16 The report appeared in 1922 under the title *Nota van Mr. M.W.F. Treub, Voorzitter van den Ondernemersraad voor Nederlands Indië, over de Inkomstenbelasting, de Extrawinstbelasting van Naamloze Venootschappen, de Productenbelastingen en de Uitvoerrechten op producten van Ondernemingen* (hereafter referred to as *Nota van Mr. Treub*). The Ondernemersraad published the report and claimed that it represented not only Treub's personal opinion but also that of the organization as a whole.

were collected proportionally, but the last was charged progressively. In Treub's view, a corporate tax should be levied either on total profits or on distributed profits, but not on both. Turning his attention to the product tax and the export-import taxes, Treub dismissed these taxes as being in contradiction to the effort to create an equal distribution of the tax burden. The taxes on products placed a heavy burden on the marginal companies that operated with high production costs. Therefore, Treub considered these taxes to be 'financial monstrosities' (*finantieele wangedrochten*) that, in the long run, could adversely affect business life in the Netherlands Indies. Therefore he suggested the colonial government abolish these taxes in order to revive business life and create fiscal stability in the Netherlands Indies. He was convinced that a stable and moderate tax rate for business would stimulate economic development in the colony (*Nota van Mr. Treub* 1922: 41-50; Taselaar 1998: 230).

Colonial officials in the Netherlands Indies as well as observers in the Netherlands criticized Treub's memorandum. This criticism is exemplified by that of J. L. Vleming, Head of the Tax Audit Service in Batavia, and J. van Gelderen, an economist. They directed their condemnation towards Treub's objection to the progressive corporate income tax and its assessment that, Treub had argued, had caused ambiguity and double taxation on the personal and corporate income of Europeans. As a tax official, Vleming insisted that, prior to 1920 various corporations in the Netherlands Indies had paid less tax than Treub thought. He viewed Treub's claim that the corporate income tax created a 'double taxation' as no more than a strategy adduced by the big companies to avoid paying these taxes. Vleming thought Treub's suggestion that the production tax should be abolished had some merit, but only if the government retained progressive income tax in compensation. This could be supplemented by a progressive welfare tax (*uitkeringsbelasting*). Chiming in with this reasoning, van Gelderen argued that Treub's attack on the progressive corporate income tax in the colony had no empirical basis. He argued that theoretically personal income and corporate gain were connected to each other and both should increase apace with the increase in profits. Therefore, this

sort of income and profits should accordingly be taxed by a progressive tax and the burden of taxation could be distributed more evenly. In short, he concluded, that the abandonment of a progressive profit tax was economically unjustifiable and disastrous to public finances (Vleming 1922: 9-11, 22-23, 28-29; van Gelderen 1922: 1369-83; Taselaar 1998: 230-31).

In his reaction, Treub made no bones in stating his arguments that Vleming's criticism was flawed by a weak theoretical basis. Considering Vleming's position as a colonial tax official, Treub dismissed his arguments as semi-official reflections that justified the unfairness of colonial tax system administration. Treub deemed Vleming's assertion that a capital assessment of the corporate tax income would result in negative consequences for the profit tax, as evidence of his lack of legal perspective and as a sign of a provocative mentality. Turning his attention to the remarks of van Gelderen, Treub also spurned them as unconvincing, because his argument was more concerned with the subjective assessment of a certain product that was not applicable to the corporate tax. Treub insisted that a progressive corporate income was unjustifiable because it was based on 'wartime desperation'. Therefore, this tax should be repealed, not because capitalists were unwilling to pay it but for juridical and fiscal-technical reasons (Treub 1923: 39-48; Taselaar 1998: 232).

The debate went from strength to strength as Vleming and van Gelderen published their reception to Treub's reaction and even wider audience, including politicians and academics in the Netherlands, joined in. It is beyond the scope of this chapter to include all the issues raised in the debate that lasted until 1925. Here is enough to say that this debate, combined with the disappointing results from the tax collection, justified the colonial government in implementing yet another tax reform agenda. To tackle this task, the colonial government required the Committee for the Revision of Tax System in the Netherlands Indies conclude its task, namely to formulate a blue print for tax reform.¹⁷

17 The Committee consisted of eight members drawn from government executives and members of the People's Council: Dr. E. Morisco, the vice president of the Council of

In its 1923 report, the Committee proposed the following points for revision: legal persons (tax objects) would be assessed according to a new tax regulation under the name of the profit tax (*winstbelasting*); taxes on products and export activities would not be levied permanently; the profit tax was to be levied progressively on actual profits, and the tax rate would be 5–30 per cent of profits. The lowest percentage would apply if the profit was no more than 5 per cent of the total capital, and the highest percentage applied if the profit was 75 per cent of the capital or more. The tax percentage would increase 0.7 per cent for every profit growth above 5 per cent. So with a profit of 20 per cent of the capital, the tax rate would be 15.5 per cent. Subsequently, an increase in a tax rate of 0.3 per cent would apply to every percentage of profit that rise up to 35 per cent of the capital, meaning that 20 per cent of the profit would be taxed. The increase of 0.25 per cent in the tax rate applied to every percentage of profit gain up to 75 per cent of the capital, at which point the maximum-tax of 30 per cent of the profit was levied; the profit was calculated the same way as that of “the real incomes” (*Eerste verslag* 1923: 8-9).

Responding to this report, in 1924, the Business Association for the Netherlands Indies submitted a memorandum to the Minister of Colonies containing a thorough review of the report and suggestions for revision from the point of view of private business. By and large, this organization had no objections to the motivation of the government in increasing tax on business activities, but it did object to the tax assessment method proposed. It argued that the Committee had used unverifiable data and the method it had adopted to formulate its

the Netherlands Indies (*Raad van Nederlands Indië*) presided; E.P. Wellenstein, Senior Official at the Department of Finance was secretary; Raden Adipati Aria Djajadiningrat, Regent of Serang and member of the People’s Council; H. s’Jacob, member of the People’s Council; A.J. Schabeek, Chief Inspector of Import and Excise Duty; G. von Söhsten, Chief Inspector of Finance; H.H. Kan, member of the People’s Council; and G.A.M. Hondius van Herwerden, the Inspector of Rural Incomes (*landelijk inkomsten*). To tackle the work most efficiently, the committee members were split into three sub-committees: the Sub-Committee for Income Taxes and the ‘Direct’ Levies, the Sub-Committee for Agricultural and Other Taxes on the Indigenous Population, the Sub-Committee for the Import-Export Taxes and Excise Duties (*Eerste Verslag van de Commissie tot Herziening van het Belastingstelsel in Nederlandsch-Indië* 1923: 1, hereafter referred as *Eerste Verslag*).

provision for the new progressive profit or income taxes was incorrect. Therefore, the rate of the tax suggested was inconsistent and was almost impossible to adjust to the actual financial circumstances of any enterprises. This organization asked the Committee to reconsider its proposed tax assessment scheme. Otherwise, it warned, the stagnation the flow of capital into the colony since 1918 in the wake of heavy taxation would continue to cause a stalemate. The organization claimed that the majority of Dutch enterprises in the colony had shown a preference for a proportional tax rate at about 8 to 10 per cent of profits according to their actual yield rather than a progressive tax that was riddled with confusion and oozed bureaucratic intervention (*Advies van den Ondernemersraad* 1924: 8-12).

The Minister of Colonies and the Governor-General of the Netherlands Indies took some of the points made by the *Ondernemersraad* into consideration, but rejected its stated preference for a fixed rate of corporate income tax. They agreed that corporations and excess profits could be exempt from the tax, but the corporate net profits would be taxed at a fixed rate of 10 per cent, and did not exclude the possibility of an additional surtax (Steinmetz 1933: 118; Mansury 1992: 16). In July 1925, the colonial government finally issued its Ordinance of Corporate Income Tax as legislation. It stipulated that the imposition of corporate profit tax was to be merged with the personal income tax that had already in use as income tax since 1920.

Mansury (1992: 14-15) says that this new income tax was composed of the following basic arrangements. *First*, it applied to all groups of the population regardless ethnicity or racial background, and was personal as well as applying to associations of persons, such as limited liability companies, partnerships, and the like, including non residents and foreign companies making a profit from the Netherlands Indies. *Second*, it was levied on net income, namely the total amount of money or money's worth received from a certain economic activity or business either on a regular basis or occasionally, or from the holding of some offices or honorary functions or from some sorts of service. *Third*, for the calculation of personal income the tax was progressive, increasing from 1 per cent on the minimum taxable

income of 120 guilders to 25 per cent on an income over 180,000 guilders. Corporation income tax was taxed proportional at 10 per cent. *Four*, the assessment of taxable income would be carried out on the basis of the actual income as expected per one calendar year. These arrangements remained relatively unchanged until the end of colonial period in 1942, particularly the regulation of corporate income tax that was in fact retained by the Indonesian government until 1983 (Mansury 1992: 16).

The regulation of personal income proved an exception, as the colonial government found it necessary to update the 1920 regulation on personal income tax to bring it into line with the newly introduced 1925 Ordinance on Corporate Income Tax. The government argued that the provisions for personal income tax should assess the depreciation, the decrease and the increase in the value of the assets of the proprietorships. In other words, when provisions were formulated this should be done bearing in mind income in the Netherlands to avoid double taxation of the Dutch residents in the Netherlands Indies; and that it should be levied on all residents who were in receipt of income from all over the world but only to those non residents whose income was accrued in the Netherlands Indies. These deliberations prompted the colonial government to introduce a new Ordinance on Personal Income Tax in 1932. When it was being formulated, consideration was given to the findings of the 1926–1928 government investigations into the distribution of tax burdens (Wellenstein 1933). The 1932 Ordinance stipulated that the income tax was applicable only to individual income yielded from a sustainable source of income on a regular basis. This source of income included money or money's worth generated from business and personal services, immovable property, movable property or rights to periodical payments. This ordinance also stipulated that the basic exemption level was 120 guilders, and that the assessment would be made on the anticipated income rather than the actual income (Mansury 1992: 17).

Did these reforms improve tax equity and the collection of taxable income? In the case of tax equity, the answer is not straightforward as by and large the reforms failed to create tax equity, although they did

succeed in increasing tax revenue. In the case of corporate income tax, for example, in 1926 one year after its introduction, the new corporate income tax collected a sum of 71.9 million guilders or a more than 30 per cent increase from the previous yield that had amounted to 42.1 million guilders. In the next four years prior to the onset of economic depression, tax revenue remained stable at around 50 million guilders. During the Depression years of 1931–1935, the annual revenue from this tax declined sharply to a level below 10 million guilders, and only recovered after 1938, when it brought in around 40 million guilders annually. Looking at personal income tax, the existing data on its revenue contribution do not show the fluctuation that marked that affecting the corporate tax. In 1925, it collected 65.7 million guilders, but afterwards up until the end of colonial period – except in 1931 when it brought in 65.2 million guilders – it collected less revenue, fluctuating at a range of 40 to 55 million guilders before and after the Depression years, when it collected about 35.7 million guilders annually (*Statistisch Jaaroverzicht* 1926, 1930, 1940). In a nutshell, from the 1920s, and even earlier, corporate and personal income tax emerged as two of the most important taxes because, as Table 7.8 shows, they constituted more than 30 per cent of the total tax revenue of the Netherlands Indies.

Table 7.8 also shows other big contributions to total tax revenue were made by land tax, import taxes and excise duties. In essence, the land tax was a fiscal arrangement employed to collect tax from the majority of the indigenous population, the peasants in the rural areas. It was a long drawn-out process and it was, almost a century since Raffles introduced it, before the Dutch settled upon a final form of land tax, enshrined in a 1907 Ordinance, and it was another twenty years before the colonial government finally managed to impose a uniform assessment of land rent laid down in a 1927 Ordinance. The land tax consisted of two categories of tax objects: a harvest tax levied on *sawah* (irrigated rice-fields) at 8 to 20 per cent of the taxable yield and land tax on the dry fields at 0.25 to 20 guilders per *bahu*, equal to 0.7 hectare (Hugenholtz 1994: 141). Despite a declining trend, the share of land tax in total tax revenue was quite high, 32 per cent

in the period 1901–1905, 16 per cent in 1916–1920 and 8 per cent in 1936–1940. The income and excise duties constituted a strikingly high share of tax revenue. The contribution of the first was fairly stable at about 20 per cent throughout the entire period, whereas the latter contributed a range of 7 to 12 per cent from the period 1901–1905 up to 1926–1930, after which it increased sharply in the period 1931–1940 to around 20 per cent.

Table 7.8. Percentage Breakdown of Colonial Tax Revenues, 1901–1940

Year	Income taxes		Land tax	Verponding*	House and property tax	Export taxes	Import taxes	Excises	Other+	Total
	Personal	Corporate								
1901–5	8		32	4	2	3	18	10	23	100
1906–10	13		26	4	2	3	20	12	20	100
1911–15	20		21	3	2	3	23	11	17	100
1916–20	22		16	2	1	3	23	9	24	100
1921–25	37		9	2	1	3	19	7	22	100
1926–30	15	17	11	2	1	4	25	11	14	100
1931–35	21	5	13	2	2	4	22	18	13	100
1936–40	16	16	8	2	1	12	18	21	6	100

Notes: * This was the land tax paid by urban property owners
 + Includes war profit tax, conveyancing tax, stamp duties, slaughter taxes and other taxes

Source: Anne Booth (1980: 93, table 1).

The declining trend in tax revenue collected from the indigenous sector, as exemplified by the land rent revenue prior to the Depression years, can be taken as a sign that the burden of taxation on the indigenous population slowly declined. It is feasible to assume that the colonial government collected less tax revenue in the 1930s, because the purchasing power of population declined considerably during these Depression years. O'Malley (1979) argues that the lessening of the tax pressure was one of the explanations of why popular unrest was relatively absent in the entire Netherlands Indies after the 1930s. This

was reinforced by the fact that hunger and outright starvation – the two sources of unrest in the nineteenth century – had been eliminated. Although large scale popular unrest that took the form of anti-tax protests were indeed a thing of the past since 1930, other forms of anti-tax protests did emerge recurrently in some important cities in Java implying popular resentment aroused by the colonial tax policy. Since 1920, predominantly Indonesian nationalist leaders, but some Dutch and Chinese as well, had begun to engage in the discourse on colonial fiscal policy in the formal institutions. The next section will discuss this issue in more detail.

Fiscal (Dis-)obedience: Reactions Against Taxation

Historians have maintained that throughout the nineteenth and in the early twentieth century, colonial taxes had become entrenched as an underlying factor in the recurring popular unrest and protests, even armed rebellions in many parts of the Archipelago, Java in particular (Sartono Kartodirdjo 1978, 1981). In the last decade of the nineteenth century, such antagonistic actions protesting against government tax policies dropped considerably. This quiescence was not any result of a lighter burden of taxation on the indigenous population, it was simply because the colonial government had succeeded in establishing a stronger grip on the Archipelago, where it pursued a policy of peace and order (*rust en orde*) as its basic means of gaining control. Nordholt (2002: 33-61) argues that the Ethical Policy, the guideline of colonial policy in the early twentieth century based on the idea that raising the well being of the indigenous people could only be achieved by being able to exert 'firm' control over the colony. In a nutshell, the implementation of this developmental policy went hand-in-hand with intimidation and violence that created 'a regime of fear' wielded to win the political 'loyalty' of colonial society. This security approach coupled with indirect rule and an interventionist technocracy, are what

explain the success of handful Dutch colonial officers in governing the vast territory of Indonesia until 1942 (Nordholt 2011: 435-36).¹⁸

These stand-over tactics do not mean that the operation of the colonial fiscal policies, particularly tax collection, were immune to resistance, either from indigenous masses and the elites or from other groups of population. Chapter 6 has demonstrated that various forms of popular resistance in various areas in Java and Madura disturbed the running of the government monopolies. Similarly, in the case of tax collection, the pressing burden of taxation throughout the period triggered popular resistance that manifested itself in various forms of opposition. Some reactions were very aggressive and took the form of violent action or armed rebellion, but others were expressed in the form of civil disobedience in the form of avoiding or refusing to acknowledge a tax assessment. After the establishment of the Municipal Council (*Gemeenteraad*) in 1905, followed by the creation of the People's Council (*Volksraad*), a pseudo-parliamentary institution in 1918, representatives of the Indonesian and Chinese communities were finally in a position to voice the interests in and aspirations of their communities with reference to taxation, although their opinions did not always get as far as actually being considered by the government and the resultant decisions were often far from satisfactory (Cribb 1994: 7). The following sections highlight some examples of the different kinds of popular reaction against taxation that happened during the last decades of colonial period.

Anti-tax Reactions: From Rebellion to Avoidance

During the period concerned, there were at least three examples of rebellions in which anti-tax grievances could be said to have been

18 In order to maintain peace and order in the colony and to fill vacant positions, in particular in the Outer Islands, the colonial government appointed retired or serving military officers to be in charge of key civilian administrative positions. In his study, van den Doel reveals that in 1912, 17.8 per cent of the administrators in the Outer Islands were army officers. In 1920 this percentage had decreased to 7.6 per cent and in 1930 to 6.6 per cent. Although the percentage was quite small, it is still a conspicuous example of the military approach to the colonial state administration in Indonesia (van den Doel 1994: 70-71).

primary causative factors, one in Java and two in the Outer Islands. In the Outer islands, two anti-tax rebellions were reported in West Sumatra in 1908 and another in West Kalimantan in 1914, whereas in Java the incident took place in Banten, West Java in 1926, when anti-tax protests were organized by the communist-inspired local elite. This uprising won fame later as one of the first communist uprisings in Indonesian history.

The anti-tax rebellion in West Sumatra was triggered by the decision of the colonial government to introduce income tax on 1 March 1908. The colonial government intended the new tax to be a replacement for the no longer profitable forced delivery system of coffee that had been operating for nearly seventy years. The forced delivery system itself was actually burdensome for local peasants, requiring their labour service to plant coffee and deliver the harvest to the government at low fixed prices. However, for Minangkabau villagers, the majority ethnic group, the system was the only source of income that provided an indispensable certainty in their subsistence economy. The abolition of this *coffeecultuur*, therefore came as a major blow to these peasants. Consequently, the newly introduced tax income payable in cash was unwelcome, and was perceived by local peasants as potential threat to their livelihood, just at a time that opportunities to be able to earn cash were shrinking. This grievance, in combination with the marginal position of these villagers in monetization and the integration of the local peasantries into the market economy, heightened their sensitivity to being coerced to pay any kind of tax in cash. The strongest resentment was initially expressed against the slaughtering tax, but their larger-scale and longer-lasting protests were directed against the newly introduced income tax (Young 1994: 46-47, 62).¹⁹

19 Young argues that another cause of the rebellion was the lack of preparation for the introduction of the new tax, particularly the dearth of information provided and failure to consult with indigenous leaders. The colonial officials paid little or no heed to local rights and sensitivities, although they had experienced a similar situation about ten years earlier, in 1897, when they had uncovered a group of the population plotting an attack on government officials in protest against the new taxes. Rumours about income tax had been spreading like wildfire among the population for weeks before the official

The anti-tax rebellion flare up in three main areas of conflict, namely in the Agam district of Bukittinggi, in the Batipuh district of Padang Panjang, and in Pariaman district, lasting altogether nearly four months from March to June 1908. During this same period, a series of mass protests broke out in the areas in which peasants under the leadership of the traditional elite (*panghulu*, the lineage leaders) and religious leaders (*ulama*) took up arms against the traditional elite whom they regarded as collaborators, the colonial state bureaucrats and the army (Amran 1988: 132-35). Initially, the anti-tax uprisings led by aristocrats were non-violent, repudiating tax assessments and refusing to make tax payments. Matters escalated when the firm response of the colonial government in arresting all participants involved triggered larger scale protests. The anti-tax opposition turned into an armed rebellion after religious leaders (*ulama*), who had been disappointed with fruits of the peaceful protests led by the aristocrats and *adat* leaders, seized the leading role in the movement. Using the network of independent Islamic schools (*Madrasah*) and espousing the ideology of a *perang sabil* (holy war), they mobilized popular resistance and prepared for an armed confrontation. The political crisis reached its peak in June, and its intensity forced the government to reinforce the army by sending a battalion of infantry and a squadron of cavalry from Java. The heaviest casualties in the conflict fell in Kamang, Batipuh, and Pariaman, where the resistance against the government army was best organized (Young 1994: 64-68,76).

By the end of June 1908, aided and abetted by support military forces from Java, the Dutch administrators in Padang succeeded in suppressing most of anti-tax protests in the heartland of West Sumatra. Some sporadic incidents still flared up in Pariaman in 1909 and in Agam in 1912, but had no political significance. After this clean-up operation, the colonial government managed to impose

announcement that the tax would be levied on wealth (capital tax) as well as income, a decision that would have made the burden on the population even heavier. The government did not do anything to try to quash the rumours, as neither instruction nor any information in vernacular languages was offered to the local population. This created confusion and anger among villagers and led them to take up arms against the government (Young 1994: 61).

tax income in the region, although the anti-tax dissidence among local taxpayers was never entirely suppressed. Signs of this emotional sensitivity resurfaced, for example, in Padang Panjang in 1915 when the government increased the rate of income tax from 2 to 4 per cent; but no violent actions were reported. A more serious incident occurred Padang Panjang in 1922, when the colonial government planned to substitute income tax for land tax, a burden perceived to be more excessive by local peasants. The news immediately reignited popular anger. This time protests were organized differently, as a local branch of the *Sarekat Islam*, already well established there, was actively involved in mobilizing resistance resorting to a new 'ideology', anti-Dutch (government) sentiment. The resistance was strong enough to force the Dutch government, still haunted by the 1908 anti-tax rebellion, to cancel the introduction of land tax in that year (Young 1994: 81-82).²⁰

In West Kalimantan, the 1914 rebellion broke out in the 'Chinese districts' around Pontianak, among them Singkawang, Mempawah, Monterado, and Bengkayang where Chinese gold-miners and the local Dayaks took up arms to protest against government levies. The anti-tax resentments among local taxpayers in these regions had begun in 1912 when the incoming Dutch Resident, Henry de Vogel (in office 1912–1918) had drawn up a plan to increase both tax revenue and the frequency of forced labour service (*corvée*) to expedite the implementation of his 'development' programmes. His initial plan was to raise the rate of property tax and of the business tax to 4.5 per cent annually and to introduce a more thoroughgoing registration of

20 In the wake of this anti-tax rebellion, in 1927 the communist wing of the *Sarekat Islam*, *Sarikat Rakyat* (the People's League) that had been established in April 1923, organized series of armed rebellions in several parts of West Sumatra, notably in Silungkang, Padang Panjang, and Padang. In these uprisings, the leaders of the *Sarikat Rakyat* did not rely solely on the tax issue, they also propagated anti-Dutch sentiment that drew inspiration from Islam, communism, and nationalism to unite the interests of the various groups in society, in which local entrepreneurs played a leading role. By the end of August, the Dutch government had suppressed these rebellions, which in total claimed more than hundred dead and thousands of injured. The Dutch arrested more than 1,000 rebels, sent most of them to jail and exiled the leaders to Boven Digul in Papua. This 1927 communist uprising justified the decision of the Dutch government to ban the Communist Party and repress all political activities in the region (Kahin 1996: 19-22, 35).

Chinese residents to ensure that the number of taxpayers multiplied. Besides this quest for financial means, the government also required a more burdensome frequency of *corvée* from the Chinese and Dayak so as to be able to build new roads and maintain the old ones. These factors, in combination with the economic difficulties incurred by the falling prices of agricultural production and the burgeoning hope nurtured by a rumour that China was sending warships to free the Chinese in Kalimantan from Dutch oppression, roused the Chinese people to protest about the government policy, by resisting paying taxes and killing some Chinese officials at several conflict spots. The Dayak people in Landak also mobilized violent protests attacking both local bureaucrats and Chinese officers. These uprisings were localized and had been suppressed by mid-1913 (Somer Heidhues 2003: 176-79).

In July 1914, a more serious rebellion occurred in Mempawah, in which a cross-cultural section of Chinese, Dayaks, and Malays participated. Under the leadership of Soeng Kap Sen, who had just returned from China, several hundred rebels formed a sworn-brotherhood and invited non-Chinese participants to swear a blood oath to seal the allegiance of their membership, a technique that had also been used in the previous *kongsis* uprising in the mid-nineteenth century. The rebels launched raids in several areas, but these failed to achieve any wider political consequences. Nevertheless, this rebellion did force some local rulers to abandon their posts and pushed many Chinese to flee to Singapore or to seek refuge in the forest. A relatively small Dutch expeditionary force suppressed the rebellion, but failed to capture its leader (The Siauw Giap 1981: 138-39, 147-48). In the aftermath, in September 1917, the local Dutch officials lifted the *corvée* obligation from the Chinese, but retained the travelling restriction systems, whereas for the Malays and the Dayaks, the *corvée* requirements were retained and their labour had to be performed on daily basis without any payment (Somer Heidhues 2003: 182-83).

The final example of popular resistance against taxation was the 1926 communist uprising in Banten that was planned to be part of a

nation-wide anti-colonial rebellion.²¹ Although the Dutch recognized that Banten was an area of Islamic orthodoxy with a rebellious tradition, they had been convinced that, because of the absence of massive industrialization and hence of a working-class, communism would not find fertile soil in this economically poor region, let alone be able to organize a mass uprising.²² In his monograph, Williams (1982: 7-8) states that the communist-inspired leaders there were shrewd enough to exploit local issues in their campaign. They seized upon the issue of excessive taxation in their propaganda specifically to attract supports from the Bantenese peasants and to strengthen anti-government sentiment among these oppressed people. Although facing the threat of strict police control, the party propagandists managed to deliver their campaign message to these people. The communist influence in Banten had grown significantly after the establishment of a local branch of the PKI in August 1925, when more than 1,000 peasants registered as its member.²³

The main attraction of the PKI for these peasants was not its communist propaganda, but the promise of exemption from taxation for those who joined the party, particularly from the capitation tax

21 The Central Committee of the Indonesian Communist Party decided to mount this anti-colonial rebellion in a meeting at Prambanan, Yogyakarta 25 December 1925, and initially planned to launch it nation-wide in July 1926. The fly in the ointment was that the plan, however chaotic and disorganized, could only be put into action in three areas: Banten, Batavia, and West Sumatra (Benda and McVey, eds. 1960: 115-16; McVey 1965: 343-45).

22 This was noted, for example, in the Memoir of Transfer (*memorie van overgave*) of Resident J. C. Bedding dated 24 March 1925, in which he said that "communism will find no place for development here". NA, *Memorie van Overgave van den aafgetreden Resident van Bantam, J. C. Bedding*, March 24, 1925, p. 68. (Cited also in Williams 1982: 3).

23 It was reported that until 1924 both several key communist figures from the central organization and local communist activists had made efforts to establish an official branch of the *Syarikat Rakyat*, and PKI, in Banten, but none of them was successful. The success in establishing the PKI in 1925 was attributed to the influx of returning Bantenese migrants who had already joined the PKI in other areas of Java, and the arrival of a number of party-propagandists dispatched at the request of the central committee to establish a branch there. Resident De Vries put the total membership of the PKI in Banten in August 1925 at 1,200, but by February 1926 the number had grown rapidly to 12,000 members, including 500 women as a growing number of peasants was attracted to join the party (Williams 1982: 11, 24).

(*hoofdgeld*) that was rigidly imposed in this region by the colonial government. In their campaign, the PKI propagandists also exploited other tax-related issues, namely the raising of the tax rate and the increasing number of taxable items, as an instrument to strengthen its influence among peasants. The inclusion of members of the traditional local elite, among them *ulama*, *kiyai*, *jawara* (martial art expert), and descendants of the royal family of the Banten Sultanate in the party structure was another important attractive factor (Stromquist 1967: 189-200; Williams 1982: 24-30).

The uprising broke out in February 1926 when revolutionary fervour and anti-government sentiments reached fever pitch and their radicalization was visible in violent sporadic actions in some villages. The rebellion finally broke out in its full force on November 12 in various spots in the Pandeglang and Serang Regencies. The rebellion lasted four days in total, within which time the rebels killed one *wedana* and one *assistant wedana* (indigenous bureaucrats), one railway supervisor, three police officers and wounded several other bureaucrats. The central government in Batavia responded promptly by sending a preliminary force of a hundred soldiers, and followed by a brigade of Menadonese troops to the conflict areas. After two days of confrontation, the government troops crushed the rebellion, killing scores of rebels and arresting hundreds of others. Afterwards they restored order in the conflict areas. The arrested rebels were brought before the court to be sentenced. Four men were given the death penalty, 700 rebels were handed down prison sentences ranging from two years to life, and ninety-nine were exiled to Boven Digul (Williams 1982: 51-58).

The communist uprising in Banten marked the end of radical anti-tax resistances. In the wake of this uprising, the colonial government declared the PKI and its radical activities illegal (McVey 1965: 425). From this point in time, the colonial government adopted a more oppressive approach to the suppression any radical movement in the Netherlands Indies. Under such condition, protests, objections and complaints about taxes and other government policies could be channelled only through legal institutions, the *Volksraad* and local

municipal council (*gemeenteraad*) that worked under government co-optation.²⁴ Outside these institutions, adverse reactions to government tax policies were often expressed at individual levels by adopting such tactics as avoiding tax assessment or using the press to express open protests against the government.²⁵ It should be emphasized that during this so-called advanced phase of Indonesian nationalist movement period, the taxation burden and other 'partial issues' had ceased to be central matters to Indonesian nationalist activists. By this time, prior to the World War II, the majority of the nationalist leaders and their socio-political organizations had adopted the goal of a free Indonesia (*Indonesia merdeka*) as the ultimate target of their political activism.²⁶ They believed that independence from Dutch imperialism was the key to the liberation of the Indonesian people from all their problems (Sartono Kartodirdjo 1993; Ricklefs 2008).

Tax As Political Discourse Inside and Outside The People's Council

After having been officially inaugurated in May 1918, the *Volksraad* began its work as a quasi-parliamentary body for the Netherlands Indies, its task to evaluate government policy and its execution.²⁷ Initially, the Council had thirty-eight members representing

24 Indonesian historians have labelled their fellow countrymen who sat in the *Volksraad* as the cooperative group, while those worked outside the system were designated the non-cooperative group. The later group included, of course, Soekarno, M. Hatta, Sjahrir and many others (Sartono Kartodirdjo 1993).

25 At an individual level, however, disobedience to the tax laws refused to go away and was expressed in various ways. Among the ordinary people, but also among some elite members, migration to other country was an option intolerable tax assessments. The latter was best exemplified once again by the case of Oei Tiong Ham, who moved to Singapore to avoid the Dutch government tax on wartime profits imposed on his sugar business (Dick 1998: 278, Mackie 1990).

26 Partai Nasional Indonesia (PNI, the Indonesian Nationalist Party), established by Ir. Soekarno in Bandung, 4 July 1927, pioneered this new stage of the nationalist movement and influenced the political direction of Indonesian nationalist leaders (Kahin 1952: 91; Ricklefs 2008).

27 The *Volksraad* was established by Government Decree of 16 December 1916 (published as *Staatsblad 1916 No. 114*), which was fully enacted per 1 August 1917. The *Volksraad* held its first session on 21 May 1918, in which the Governor General Count van Limburg Stirum inaugurated this institution and its first members (van Helsdingen 1928: 34).

thirty-eights electoral areas. Half of the members were elected (10 Indigenous, 9 Europeans and Foreign Asians), but the remainder were government appointees. A senior Dutch official, who was appointed with the Queen's approval, chaired the Council. In 1920, ten more non-indigenous representatives were added and it continued in this composition until May 1927 (van Helsdingen 1928: 34-35). From the point of view of the present study, an important development occurred in 1925 when the Dutch finally decided to grant wider authority, than it had had since 1867, to manage its annual budget to the government of the Netherlands Indies in a move that made it completely separate from the budget of the mother country. The upshot was that the *Volksraad* was given a bigger role in preparing and evaluating the annual budget of the Netherlands Indies government, including its fiscal policies (Booth 1980: 75). In his reflection on this event, Soekardjo Wirjopranoto, an Indonesian-Javanese senator, stated that this budget discussion was really important because it debated not only how revenue was to be collected by the government but also how it would be spent. Considering the crucial position of taxes in the government budget, he argued:

“... Jang haroes dikoepas oleh Volksraad, adalah apakah pemoengoetan jang dilakoekan itoe adil terhadap golongan-golongan pendoedoek, demikianpoen apakah tidak keberatan rakjat jang berpoeloeh djoeta itoe memikoel padjak jang ditimpahkan pada mereka. Djadi soal keadilan ini atas poengoetan padjak haroes ada imbangan dengan kekoeatan tiap orang, lebih-lebih imbangan pada kekoeatan rakjat jang moerba”.

(What the *Volksraad* should discuss is whether the (tax) collection from different groups of the population is just, and whether those tens of millions of people do not object to bearing these taxes on their shoulders. Therefore justice in tax collection can be achieved only if there is a collection from everyone according

to their capacity [to pay], particularly that from the *moerba* (the ordinary) people.”²⁸

In a review of the first ten years of the *Volksraad* (1918-1928), W. H. van Helsdingen, its Secretary, reported that generally speaking this institution did fulfil its function as an advisory body and partner to the government reasonably well. Although he admitted that not all the members of this body, especially indigenous representatives were happy with the work of the Council so far. R. Djajadiningrat, for example, stated that the work of the Council up to that moment had been very disappointing and the lack of progress disheartening: “... *sebenarnya selangkahpoen beloem ada kita madjoe*” (actually, we have not moved forward a single step). Helsdingen insisted that this kind of disappointment was only to be expected as it was a normal part of the learning process, and he claimed that over the years the Council had been gaining increasing influence on executive policies. He mentioned that the colonial government had accepted many amendments the Council had proposed during its first decade. Some amendments, in which the Indigenous representatives played the leading role, had to do with fiscal issues. In 1921, for example, the government accepted the proposal of Moh. Zain and R. Kamil that a better check should be kept of the payment of labour service among peasants, and the tax rate on coffee production should be adjusted. In 1923, the government withdrew its plan to impose a *boedjang* (housemaid) tax, as part of household taxes, after listening to the idea put forward by Mr. Dwidjosewojo. In the same year, after the submission of Mr. Wiranata Koesoema the government also agreed to reconsider the rates of house renting and the *verponding* (property) tax for the indigenous people in urban areas (van Helsdingen 1928: 54-55, 58-59).

As a matter of fact, almost all the indigenous representatives in the *Volksraad* raised objections to the government fiscal policies, although only a few that had any direct impact on the final decision making of the government. In his speech, for example, Dr. A. Rifai rejected the statement made by a government representative that the European

28 “Volksraad”, *Soeara Parindra*, Vol. II, No.7, July 1937, pp. 9.

population, only 2 per cent of the total, bore the biggest burden of taxation in order to finance government expenditure on indigenous welfare and this is what had caused the deficit in the first place. Rifai argued that the financial deficit had been brought about by the fact that about 45 per cent of revenue accruing from the Netherlands Indies was sent to the Netherlands, particularly through big Dutch businesses such as oil enterprises. He therefore asked the Netherlands Indies government to tighten up its tax collecting from those big businesses. Rifai stated that the austerity policy (*bezuiniging*) of the government was extremely unfair to the indigenous people. In the budget of 1923, Rifai calculated that the allocation for popular credit, education, public health, agriculture, trade and industry altogether was only 68.3 million guilders, whereas the allocation for war and defence was 148.7 million guilders. Rifai was convinced that this expenditure was the real source of the financial deficit (Djojosoediro 1922: 2, 30-31).

In his speech on 14 June 1923, Agus Salim, the representative of the *Sarekat Islam*, sounded a similar critical note about the government fiscal policies. He criticized the government plan to increase tax revenue from indigenous people rather than from the Europeans as Treub had suggested. Salim thought that this plan would benefit only businessmen and big capitalists, whereas it would impoverish the '*boemipoetra*' (son of the soil). Although he believed in the strength of his fellow countrymen who had survived the past excessive taxation of the Dutch government, he believed that in longer run this fiscal policy would bring about the following consequence:

"Memboenoeh kebawah pada moelanja, memboenoeh keatas pada achirnja, memboenoeh Hindia akan kesoedahannja."

(Kill the common people first, kill elite people later, and kill the Netherlands Indies at last). (*Handelingen van den Volksraad* 1923)

In his speech on 13 July 1935, Husni Thamrin, the chair of the 'Nationale fractie' in the *Volksraad*, also heaped criticism on the fiscal policies of the colonial government in the crisis years, saying that in his view these had exacerbated the impact of the crisis on the population. Thamrin asserted that the government had ignored the

symptoms of impoverishment (*verarmingsverschijnselen*) that were becoming palpable in society, and had claimed that these could be largely attributed to the decline in the income of the population and to the government austerity policy, including budget cuts and a lowering of the salaries of its staff members. Instead of formulating a crisis-sensitive fiscal policy, the government had gone ahead and increased the rate of income tax, the surcharge tax, and the basis for tax assessment. It had imposed tobacco excise duties, a wage tax, a tax on tickets/coupons, and the tax on wealth (*vermogensbelasting*). Moreover, it had also raised import duty, and the surtax on import duty to 50 per cent not to mention the surtax on business tax. Not content with such crushing measures, the government had also raised the retail price of salt and oil, two basic commodities so essential to the population. Consequently, Thamrin argued, these policies had in fact accelerated the process of the impoverishment of the indigenous people and protracted the impact of the crisis on the majority of the population (Thamrin 1935: 27-28).

This sort of critical stance towards government fiscal policies adopted by the indigenous senators continued to pop up in the budget discussion until the end of the colonial period. From 1927, however, the major focus of the indigenous senators in the *Volksraad*, shifted from government fiscal and economic to its political policies, especially the question of the oppressive measures taken against the Indonesian nationalist leaders in the late 1920s and early 1930s. This culminated in the so-called 'Soetardjo-Petition' in July 1936, which requested the Dutch government organize a conference to prepare dominion status for Indonesia in ten years' time, taking the Philippine Commonwealth as its model (Wall 1964: 219-225, 377-78, Gouka 2002; Cribb & Kahin 2004: 422). Turning his attention to fiscal policy, van Helsdingen reported that from 1928 until 1938 the *Volksraad* did gain a stronger influence on the government policies, particularly on the budgetary proposals. In the wake of the 1930 economic crisis, the *Volksraad* amended the budget for 1932-1933, reducing the allocations for various posts such as public works, defence and subsidies for some programmes. In the matter of taxation, the *Volksraad* amended the

target of tax revenue from export and import duties, oil production and sales, land tax, and property tax. It also amended the cost of tax collection as part of the austerity programme (van Helsdingen 1938: 60-63, 120).

Hostile reactions to government tax policy outside the representative body are frequently to be found in contemporary newspapers. The majority of those protesting were Dutch and Chinese, who questioned the taxes imposed locally by the municipal governments.²⁹ In the wake of the Decentralization Law of 1903, the municipalities in Java and Sumatra had indeed gained greater autonomy in administering their territories. Consequently, despite still receiving a subsidy from the central government, they had to self-finance their administrations. For this purpose, the municipal governments imposed local levies either in the form of retributions or taxes. Among the commonly found taxes in the municipal cities were a tax on mode of transportation (cars, motorcycles and bicycles), and a tax on entertainment (cinemas, football matches and the like). Therefore, people living in urban areas often paid more taxes than those in the rural areas, they had to pay 'national taxes' and local taxes (Rückert 1930: 97-98; Colombijn 1995: 268-69). For example, in 1930 the local Dutch press in Semarang reported that JMC, a motor club organization in the city, had sent an open protest to the municipal and provincial parliaments complaining about the decision of the local government to raise the tax on cars and motorcycles. They argued that the tax was unnecessary and burdensome because they had already paid taxes when they bought fuel and for road construction.³⁰ In the 1930s, similar protests began to occur more often in many cities in Java and Sumatra (Colombijn 1995: 266-267).

Among the Indonesian nationalists, colonial taxation was often used as an issue by which win political influence and demonstrate

29 As has been said, Europeans businessmen, Dutch in particular, showed their disaffection with government tax policies. The most articulated protest was against the proposed new business income tax of 1922, presented by Prof. Treub, the president of the *Ondernemersraad voor Nederlands Indie* (Treub 1922).

30 *De Indische Courant*, 24 November 1930.

their political position with regard to the colonial government. Since they viewed taxation as integral part of the Dutch imperialism, any association or support to the government taxation policies would be considered a political disgrace that would undermine their political reputation. This is what happened to Dr. Sutomo, the founder of the *Budi Utomo* in 1908 and later leader of the *Partai Indonesia Raya (Parindra)* in 1934. His compatriots accused him of being supportive of government fiscal policies. This was a serious accusation against such a prominent nationalist figure, and he found it necessary to issue a public clarification in the official newspaper of the *Parindra*, *Soeara Parindra*, explaining that the accusation was unfounded and it was a campaign by his political rivals to discredit him and his party.³¹ Presumably, leftist politicians had blown this accusation out of all proportion when they judged Sutomo's social activities to be a “*lapmiddel*” (a stop-gap measure) or as *ad hoc* and swayed by partiality (Abdulgani 1976: 56).

Conclusion

The chapter shows that during the last four decades of Dutch colonial period, just as the operation of state monopolies had been, the main purpose of the formulation of colonial fiscal policies was to achieve the overriding ambition of the state to balance its financial situation. Under such conditions, hardly any of the policies drawn up aspired to the grand idea of raising the welfare of the indigenous population, to state goal of the Ethical Policy to which it was supposed to have subscribed. In fact, the colonial government had given priority to improving the quality of the tax administration and raising the yield of tax revenue, and, in this, had indeed been quite successful. Undoubtedly, prior and during the World War I government tax revenue increased enormously, primarily drawn from the growing numbers of taxable subjects and the imposition of the new tax on war profits from such commodities as sugar, rubber and the like.

31 “Tentang toedochan terhadap Dr. Soetomo”, *Soeara Parindra*, Vol.1, No. 1, 1936.

The problem of over-taxation on the indigenous population, that had been the main concern of some '*ethici*' (supporters of the Ethical Policy), was addressed more seriously only after 1920, when the crisis on the world markets had imposed serious financial constraints on the colonial government. On the horns of a dilemma, the colonial government conducted a 'nation-wide' investigation into the tax burden and appointed a Committee for Tax Reform to formulate a blue print for further tax reform, from which a concept for unified tax system and tax equity was expected to emerge. However, the investigations into the tax burden and the actual work of the Tax Reform Committee produced results that were very much on the side of the colonial government. The investigations concluded that by and large the present government taxes levied were quite in proportion to the capacity of the indigenous population, those living in Java as well as those in Sumatra, and hence the tax burden they had to bear was reasonable. Some scholars, for example Booth (1980), have revised this finding. Incorporating the tax on labour and kind that was widely imposed on the indigenous people, she concludes that indigenous people and their economic sectors in fact bore an even heavier burden of taxation throughout the late colonial period. Similarly, the 1922 Tax Reform Committee failed to come up with the expected results. The interests of big business heavily influenced the proposed new income tax, and the upshot was that the unified tax system failed to create tax equity among different groups of population in the Netherlands Indies.

The pressing tax policies and the increasing burden of taxation triggered various forms of negative reactions from different groups of population. Up to the mid-1920s, anti-tax resistance erupted in form of violent actions, in such notable examples as those in West Sumatra in 1908, West Kalimantan in 1912–1914, and Banten in 1926. In the first two incidents, local peasants and Chinese miners under their traditional leaders protested violently against the introduction and imposition of taxes in these regions. In the last confrontation, communist leaders exploited anti-tax sentiments to mobilize resistance against the Dutch government. As a response the colonial government took oppressive measures to suppress the resistance and applied a

policy of strict control allowing no room for such radical activities. Resentments against taxation and other government policies could be channelled only through formal institutions, particularly the *Volksraad* or *Gemeenteraden*. Collaborative Indonesian nationalist leaders opted to use this institution to voice the interests of their fellow countrymen, although the results were not always satisfactory. None the less, their political efforts to influence government fiscal policy represented a different kind of fiscal 'disobedience' still alive and kicking among their fellow countrymen.

— CHAPTER 8 —

CONCLUSION

The dynamic of the tax farming system and its successors tells not only the history of colonial taxation *per se*, but is also a barometer of the evolution of the colonial state administration in Indonesia in the nineteenth and twentieth century. Chronologically, this study divides the evolution of colonial taxation into two lengthy phases or fiscal regimes: the period of revenue farming that operated until the end of the nineteenth century, and the subsequent phase of state monopoly and state directed taxation that lasted until 1942, with a transitional period from 1896 until 1915. These two tax regimes differed in the way in which they were administered. Under the tax farming system, the colonial government granted licences to private partners, mostly Chinese businessmen, allowing them to collect taxes from various economic activities; whereas under the state monopoly and state directed taxation systems, the colonial government assumed the responsibility for the entire process of tax collection. Although the transition to the new system seems to have represented a discontinuation rather than continuation, this study has investigated both systems as variations on a set of two overriding state concerns: a quest for a means to extract revenue and an instrument of state control.

This study uses the investigation of both phases, paying particular attention to the transformation, as indicators of the changing character of the colonial state in Indonesia and of the role of various actors and stakeholders in the fiscal regimes.

Revenue farming was one of the oldest methods of tax collection in Java and elsewhere in the Archipelago. The Dutch adopted it under the rule of the Dutch East India Company (VOC), and continued its operation until the end of the nineteenth century. The operation of the revenue farming tied in well with the principle of ‘indirect rule’, the chosen Dutch strategy by which to maintain control over large parts of the colony. Under the revenue farming system, the Dutch colonial government delegated the authority to collect taxes to Chinese businessmen. Tax farming was considered expedient in view of the financial constraints of the central authority, the limited numbers of officials at its disposal, its lack of an administrative infrastructure, and the weakness of its political legitimacy. However, the Dutch colonial administrators not only used this tax collection system as a source of revenue, they also wielded it as an instrument to achieve the political consolidation that permitted them to tighten their grip on Java and the Outer Islands.

Financially, the revenue farming could be counted fairly successful in collecting an increasing amount of revenue from consumption and non-agricultural sectors. The system consisted of two groups of tax farms: the overwhelmingly predominant opium (*opiumpacht*) and those of ‘small means’ (*kleine verpachte middelen*). Although most historical accounts concentrate on the Cultivation System and the land rent as the sources of income of the Dutch colonial state, tax farms contributed substantially to state coffers. Statistical evidence shows that until 1875 on average revenue farming contributed 20 per cent of the total income of the colonial state; indeed, not an insubstantial portion. After the abolition of the Cultivation System, the share of revenue farming in the total public revenue of the Netherlands Indies remained at the same level of around 20 per cent until the end of nineteenth century, even though the colonial government had begun to explore new sources of revenue, such as in oil exploitation, tin

mining, and increased exports to compensate the falling away of the Cultivation System.

The financial success of revenue farming can be attributed to the role of Chinese businessmen, who used their capital, commercial networks and knowledge of the local market to make themselves indispensable to and the assured partners of the colonial government in the task of tax collection. The Dutch colonial administrators were well aware that revenue farming was the best strategy by which to benefit from the economic strength of this ‘comprador group’, allowing them to handle the ‘dirty work’ of the colonial state – although the Chinese were by no means the losers in this partnership, in fact they gained large profits from it. The partnership between the Chinese businessmen and the Dutch colonial government has become known in historiography as the “Sino-Dutch colonization” that encouraged the development of double layers of colonialism in the Netherlands Indies.

The opium tax farm (*opiumpacht*) was the most lucrative tax farm throughout the entire colonial period, and without doubt that which had the greatest social consequences. The financial importance of the opium farm is unequivocally demonstrated by the fact that from the 1810s on average it contributed more than 50 per cent share per decade to the total tax farming revenue. With their promise of high profits and prestige, the licences to run opium tax farms were vigorously contested by wealthy Chinese businessmen and their partners (*kongsi*) at the public auctions; these events have been described in literature as ‘the battle of the kings’, not an exaggerated description, especially in the most profitable opium farm areas of Batavia, Semarang, Surakarta, Kediri, Madiun and Surabaya. Opium licences in these areas were controlled by a handful of wealthy Chinese businessmen living in the big cities, where they also often held a formal position as a community leader such as *majoor*, *kapitan* or *luitenant*.

Financially, the small tax farms were not as profitable as the opium farm, but they provided the colonial government with additional revenue, local administrators benefiting particularly. Although the Chinese tax farmers prized the opium farm most highly, they found it decidedly attractive to control the licences of various small tax farms

too, for at least three reasons: *first*, to have full control over their opium farm area, especially to prevent the intrusion of competitors or any influx of illegal opium that would reduce profit; *second*, to maximize the exemption from the restrictions on their mobility (*wijken- en passenstelsel*) and have access to the rural areas, and hence; *third*, to extend their businesses in the same farm areas, not to mention also often making additional profit by selling illegal opium there. This explains the fact that opium farmers often also controlled the licences for running various small tax farms, such as those on pawnshops, slaughtering cattle and Chinese gambling, in the same farm area.

Inevitably there were losers in financial success of the tax farming system, the indigenous population. From the mid-nineteenth century colonial observers in the Netherlands had already been raising objections to revenue farming, but their criticism intensified after 1870 when information about the colony became much more accessible in the mother country because of improving communications. The severest and most intense criticism was directed towards the detrimental impact of revenue farming, especially that of the opium farm on public health and the welfare of the population in the colony. TeMechelen's opium enquiry into the use and sale of opium of 1881, for example, poured oil on the fire, as it revealed evidence of the soaring scale of opium consumption and the concomitant growing number of opium addicts in Java, in that year already reported to have been about one million persons. The Chinese were the primary opium users, but the number of Javanese becoming addicted to the drug had grown steadily since the 1870s, actually outnumbering the Chinese users, although at a lower level of consumption.

TeMechelen's investigation also showed that the opium farms were closely linked to such social problems as criminality, indebtedness and violence. Corruption too, including collusion and rent-seeking practices, was a notable feature in the opium smuggling activities. The Opium Report of 1881 disclosed that more than two thirds of the actual opium market in Java was supplied by illegal opium. Disturbingly, opium farmers themselves were apparently involved in opium smuggling, hoping by this means to maximize their own

profits, by eschewing government regulations or bribing colonial and indigenous officials. Consequently, the report calculated that the lion's share of opium profits found their way into the pockets of Chinese tax farmers and smugglers, to the detriment of the colonial government. The evidence demonstrated the increasing inefficiency of opium farming and the inadequacy of the government control over the system. Flaws in state supervision had given the *pachters* plenty of opportunities to undermine the opium regulations, causing substantial damage to the revenue and authority of the colonial state administration.

Other government enquiries in the mid-1890s, such as that by F. Fokkens, reported that opium-related social problems were also hampering the operation of the small tax farms. Those worst affected were the cattle-slaughter farm, the sale of liquor, Chinese gambling, and pawnshops, from which corruption and abuses were also often reported. The Fokkens' Report emphasized that the operation of tax farming had been dogged by a lack of transparency, and that the capacity of the colonial administrators to control the entire tax farming system was limited. Under the revenue farming, public and private interests or fiscal and commercial goals were inextricably intertwined and without any clear-cut separation. In the eyes of the Chinese tax farmers, the system was purely and simply a business that they operated primarily to make profit. Consequently, the operation of revenue farming was inevitably prone to corruption, revenue drain, abuse of power and exploitation, and those whose living conditions were damaged most by these irregularities were the indigenous people. The Fokkens' Report also showed that, thanks to their revenue farming licences, the Chinese tax farmers had been able to expand their economic influence in Java and other islands in the Archipelago.

The colonial government was initially hesitant to accept the conclusions and recommendations of these enquiries, as it shied away from the cost and effort needed to overhaul the system, but by the dawn of the twentieth century, succumbing to growing ethical pressure in the Netherlands, it finally acceded and embarked on an operation of reform. As said, the decision of the colonial government to undertake reforms was partly a response to the improving circulation of

information about the colony that had allowed a wider element of 'civil society' in the mother country to look critically at and subsequently put pressure for improvement on colonial government policies, including its fiscal operations. Information gained as the result of government enquiries into the economic position of the Chinese and their role in the revenue farming in Java and Madura fuelled increasing political pressure on the colonial government to reform the revenue farming system. A second cause of concern was the increasing power of the Chinese farmers. It was believed that, as a consequence of the workings of the revenue farming system, the colonial government had ceded too much power to the Chinese businessmen, to such an extent in fact that by then they formed a 'state within state'. The colonial government considered this a threat, not only to the fabric of colonial society but also to the efficiency and fairness of the colonial state administration.

The reform of the revenue farms took three different forms: complete abolition, conversion into state directed taxation and replacement of the big tax farms by a state monopoly. Some minor tax farms such as the bridge tolls, the market, the forest exploitation and palm sugar taxes, were completely abolished. Conversion to direct taxation affected the slaughtering cattle and pigs, the edible bird's nest trade, the sale of liquor, tobacco, fish, Chinese gambling and the poll tax. The third measure was considered an option only for the large, financially important tax farms, namely opium, pawnshops, and salt production, because in their operations they needed more extensive infrastructural support. By the end of the 1910s, the government had completed all the reforms. The small tax farms (*kleine verpachten*), such as slaughtering tax, excise (*accijn*) on liquors and tobacco, had been converted into state collected taxes; whereas the government monopolies: *opiumregie*, *pandhuisregie*, and *zoutregie*, officially replaced the old opium, pawnshops and salt tax farms.

The transformation of revenue farming into state directed taxes was arguably an essential part of the modernization of the colonial state administration. The policy had turned the colonial state in Java into a 'modern' fiscal state, as the state bureaucracy now administered the whole

process of tax collection, eliminating the role of the Chinese tax farmers completely. The colonial government recruited many Javanese and other indigenous elite members who had completed from government-sponsored schools to take up various middle- and lower-rank positions in the new tax administration, including those in the government monopolies (*regie*). In this sense, the fiscal reform policy can be directly traced to one of the cornerstones of the Ethical Policy, namely to provide education and career opportunities in the government sectors for the indigenous people, albeit still on a very limited scale.

For some of the Chinese tax farmers, the tax reform policy had some dire consequences, particularly for those involved in the profitable opium farms. The abolition of opium farms was a major blow to the opium farmers and their subsidiaries, as they were deprived of their source of income. Some of them also lost other subsidiary businesses, such as money lending, trade, and so on that were often related to the sale of opium. The magnitude of the losses affecting opium farmers varied greatly. As far as can be ascertained, some of them had already experienced financial trouble during the agricultural crises of 1880s and they went completely bankrupt when the policy of abolition was introduced. Nevertheless, apparently many survived by investing their capital in modern economic sectors. Other Chinese who had previously worked in the opium farms and other small tax farms were generally less dramatically affected, since they founded new fortunes in various sectors of the expanding economy. All in all, it could be said that the tax reform policy did severely affect the role of the Chinese and transformed them from tax collectors on behalf of the colonial government, into mere taxpayers or tax objects, just like other population groups. In 1910, this was confirmed by the passing of the law on Dutch's subject (*onderdaanschap*) that stipulated that the Chinese, whether locally born or immigrants, were legally considered as a Dutch subject in the Netherlands Indies, and were therefore liable to pay all taxes and meet other fiscal demands. Indeed the Chinese became the second most important group of taxpayers after the Europeans, delivering considerable amount of tax revenue to the colonial government treasury.

The new fiscal regime, either in the form of monopolies or government collected taxes, was to be imposed bearing the primary target of the Ethical Policy, namely to improve the living conditions of the indigenous people, in mind. The colonial government commitment to improving the living standards of the population seemed quite resilient, but only until 1920, after which it was gradually reduced by a more pragmatic orientation arising from its interest in balancing the colonial budget that had been pushed into deficit as a consequence of the costly welfare projects and the economic crises in the 1920s and 1930s. The economic recession forced the colonial government to choose a strategic and pragmatic fiscal approach. As a consequence, until the end of colonial period the Netherlands Indies government found it difficult to reconcile its financial interests and the humanitarian spirit of the Ethical policy; and ended up giving precedence to the interests of the colonial state over the interests of indigenous population, revealing the ambivalence of the late colonial state to its 'ethical aspirations'. The vision of welfare-oriented policies to be implemented through a modernized bureaucracy was distracted by financial difficulties and the pragmatic attitude adopted by the colonial state and its administrators.

This dilemma is clearly visible in the operation of the government monopolies on opium, pawnshops and salt. Statistical evidence and official reports demonstrate that the government reform policy was quite successful in improving the administration of these three government enterprises. They turned out to be both more profitable and more efficient than the old farming system. The institution of the *Opiumregie*, in particular, developed enormously as a lucrative enterprise, even during the crises years of 1920s and 1930s. The all-pervasive corruption and maladministration that had prevailed under the old farming system were reduced. The system of licensing and the registration of opium users coupled with price regulation also succeeded in influencing the amount of opium consumption and keeping the opium smoking habit to a controllable number of addicted users. A sizeable police squad on land and at sea proved fairly effective in curbing the persisting smuggling in various parts of the

Archipelago, although it could not fully stop the contraband. Other causes also contributed to the decline in opium consumption, among them the series of international anti-opium treaties concluded from 1909 and the economic depression of the 1930s. In the last decade of the colonial period, the colonial government also began to participate actively in anti-opium campaigns by providing financial aid to anti-opium organizations and by establishing medical facilities for opium-addicts, although contemporary observers did suggest that the colonial government should have done more to counter the opium-related social and health problems.

The other two state monopolies, pawnshops and the salt industry, present a similar picture, although on a different scale. By 1915, the government pawnshop service had been established throughout the entire Archipelago. It was operated with the support of a better administrative infrastructure that was able to minimize the past malpractices and succeeded in making more loans or giving larger credits to more people, and even became highly profitable. However, it was not strong enough to stamp out the role of illegal credit practices, particularly in rural and remote areas. The government salt monopoly also emerged as a profitable enterprise that even surpassed the profit of the *Opiumregie* in the crisis years of 1930s. The price to be paid was a high one in the form of social unrest and insurgencies during the last decade of Dutch colonial period in Madura, the production centre of the government salt monopoly. Local salt makers were insulted by the activities of the salt monopoly, under which rule the government annexed an increasing number of salt pans, their only source of livelihood. The extension of the salt monopoly production activities benefited only a tiny group of the local elite, but created greater burdens for the ordinary Madurese.

One dominant fiscal issue in the early twentieth century was whether the tax burden on different population groups, the indigenous people in particular, should be decreased. This arose in connection with government tax reform and administrative expansion to the Outer Islands. Although some '*ethici*' (supporters of the Ethical Policy) had warned that this was one of the most important issues to be addressed,

the colonial government made no substantial efforts to address it. Only after the mid-1920s was a series of 'nation-wide' investigations launched in an attempt to gain some insight into the problem of the tax burden. The investigations concluded that by and large the burden of taxation on the indigenous people was at a 'reasonable level' and in accordance with their capacity to pay.

By contrast, the more recent study by Anne Booth (1980) estimates that the burden of taxation on the indigenous people compared to that of other population groups was heavier throughout the colonial period. The outburst of various forms of anti-tax protests in different parts of the Archipelago, expressing their dissatisfaction either by the indigenous people or by the Chinese, suggest that the colonial tax burden was actually quite pressing. Even Europeans showed their resentment of the colonial government tax policies, although they demonstrated this in a very different way. For the majority of indigenous people, taxes lay at the heart of Dutch colonialism; indeed to such an extent they were perceived to be the penultimate manifestation of the colonial authority, one that had begun to pervade almost every aspect of daily life.

Theoretically speaking, after the 1870s, when the revenue farming system reached its final phase, the colonial fiscal policies of the Netherlands Indies had abandoned the characteristics of those of a 'night-watchman state' that spent most of its budget on military activities. The introduction of the Ethical Policy in 1901 (even earlier in fact) brought a new direction to the colonial fiscal system, bringing the state one step closer to being a 'developmental' state. However, this tendency lasted only until 1920, after which successive economic recessions caused a deficit in the colonial state finances. Consequently, the colonial government reduced the budget for its welfare programmes and its investment in public goods. By this time, the rise of socialist and nationalist movements among the indigenous people forced the colonial state to re-assume its repressive, interventionist character, that it had so often shown during the nineteenth century.

Following John Darwin's characterization (1997), the late colonial state in Indonesia as reflected in its tax policies and fiscal institutions,

showed a tendency to become more ambitious, getting bigger and more densely institutionalized. It was becoming more proactive and developmental, as was clearly exemplified by the introduction of welfare programmes under the Ethical Policy. However, the colonial state policies had disregarded, even offended, the interests of the local people, a situation that jeopardized its political legitimacy in their eyes.

Apart from the unmistakable expansion and increasing interventionism of the late-colonial state in Indonesia, it can also be categorized as an inadequate state in the sense that it contained inconsistencies and paradoxical features. The major paradox was that the colonial state never operated on its own footing and its interests, including in its financial and fiscal policies, were always dictated by the metropolis or by private lobby groups from the mother country. The colonial state had a growing ambition to develop as a separate political entity and – with the introduction of the Ethical Policy – it strove to provide ‘its citizens’ with public goods. However, those ambitions were curtailed by insufficient financial support and recurrent economic crises that forced the colonial government to concentrate on its efforts to stabilize its finance and balance of payments. In the political sector, the colonial state welcomed the wider participation of the indigenous people by establishing a ‘parliament or representative body’ (*Volksraad*) and municipal representation bodies (*Gementeraiden*), but at the same time it was imprisoning Indonesian nationalist leaders and banning radical organizations, particularly any communist-inspired movements.

Although every state has its exploitative and redistributive elements, those of the colonial state instantly became problematic at the moment the indigenous population became aware that increasing taxes did not always equal the expansion of their ‘citizenship’ rights. Colonial meddling in indigenous life aroused greater resentment when it was accompanied by greater tax extractions without the extension of civil privileges. This severely damaged the relationship between people and state, and it was one reason popular discontent and fiscal disobedience continued in existence in the Netherlands Indies, but it even remained so after Indonesia became an independent nation-state.

BIBLIOGRAPHY

Archival Sources

ANRI (Arsip Nasional Republik Indonesia)

Archief Regionaal Semarang (K.10)

Administratief Verslaag der Residentie Djokdjokarta (K.14.291)

Algemeen Verslaag van Residentie Soerakarta (K.16)

Departement van Financien (K.52.969)

KITLV

H 422 (a). “Opium rapport, staat (en voorsteden) en Afdeeling Semarang”.

H 422 (a). H.L.Ch. TeMechelen, “Opium-enquette rapport en andere stukken met betrekking tot de opium”,

H 422 (b) (c) Charles TeMechelen, “Rapport Uitgebracht in Voldoening aan ‘s Gouvernement Besluit d.d. 9 Juli 1885 No.9”.

H 797/*Kern* collection/inventory Number 291.

NA (Nationaal Archief)

Consulaat-Generaal Hong Kong (2.05.27.01/97)

Ministerie van Kolonien (2.10.10)

Memorie van Overgave (2.10.10)

Mailrapporten (MvK 2.10.10).

N.V.Nederlandse Cocainefabriek (2.20.04).

Articles in Contemporary Journals and Newspapers

- ‘Een poel van ongerechtigheid’, *Javabode*, 18 April 1889
- “Tentang toedoehan terhadap Dr. Soetomo”, *Soeara Parindra*, Vol.1, No. 1, 1936.
- “Volksraad”, *Soeara Parindra*, Vol. II, No.7, July 1937.
- Anonimous (1901), “De Benoeming van resident Fokkens tot tijdelijk lid van de Alg. Rekenkamer in Ned.-Indië”, *Tijdschrift voor Nederlandsch-Indië*, [tweede nieuwe serie], pp. 371-375.
- Anonimous (1909), “Memorandum concerning the Opium Regie Service in the Netherlands—India”, (pp. 285-315). *Report of the International Opium Commission, Shanghai, China, February 1 to February 26, 1909, Vol. II. Reports of the Delegations*. Shanghai: North China Daily News & Herald.
- Anonimous (1926), “De Verdere Ontwikkeling van het bedrijf”, in *Gedenkschrift uitgegeven ter gelegenheid van het 25 jarige bestaan van den Gouvernements Pandhuisdienst, 1901 – 1 April 1926*. Weltevreden: Landsdrukkerij.
- Anonimous, (1927), “De Chineezzen-kwestie”, *De Indische Gids*, Deel II, pp. 542-45.
- Arminius, (1889), “Het budget van een Javaanschen landbouwer”, *Indische Gids*, 2 B, pp. 1685-1720).
- Bataviasche Koloniale Courant*, 14 December 1810.
- Bataviasche Koloniale Courant*, 19 January 1811.
- Baud, J. C. (1857), “Zullen nu de Chinezen van de opiumpacht worden uitgesloten?” *Tijdschrift voor Nederlandsch-Indië*, vol. 2, 1857, p. 60-61.
- Baud, J.C. (1853), “Proeve van eene geschiedenis van den handel en het verbruik van opium in Nederlandsch Indië,” *Bijdragen tot de Taal-, Land- en Volkenkunde van Nederlandsch Indië*, Vol. 1, No. 1, pp. 79-220.
- Boeke, J.H. (1926), “Budgetonderzoekingen”, *Koloniale Studien*, Tiende Jaargang, Eerste Deel, pp. 229-334).

- Burger, D. H. (1933), "De Desa Ngablak (Regentschap Pati) in 1869 en 1926", *Koloniale Studiën*, Jaargang 17, No. 1, pp. 226-240.
De Indische Courant, 24 November 1930.
De locomotief, 13-26 March 1886.
- Deventer, C. Th. Van (1899), "Een Eereschuld", *De Gids*, Jaargang 63, No. 3, pp. 205-258.
- Fokkens, F. (1897), 'Afschaffing van de pachten op Java en Madoera en in verband daarmede verscherping van het toezicht op de beweging der Vreemde Oosterlingen', *Vereeniging van de Indische Genootschaap*, 2 Februari 1897. 's-Gravenhage: s.n.
- Gotzen, L. (1933), "Volksinkomen en Belasting", *Koloniale Studien*, Zeventiende Jaargang, Tweede Deel, pp. 449-483.
- Groeneveldt, P.W. (1897), "De Chineezzen-quaestie in Nederlandsch-Indië", *Nieuwe Rotterdamsche Courant*, 13 Maart 1897.
- Hoetink, B. (1918), 'Sohet eerste hoofd der Chineezzen te Batavia (1619-1639)', *Bijdragen tot de Taal-, Land- en Volkenkunde van Nederlandsch Indië*, deel 73, pp. 344-385
- Hoëvell, W.R. Van (1857), "Sedert wanneer is het gouvernement zoo anti-Chinees worden?" *Tijdschrift voor Nederlandsch-Indië*, vol. 1, 1857, pp. 169-171.
Java Government Gazette, 24 April 1813
Java Government Gazette, 6 March 2013
- Keers, J. (1928), "Het Pandcrediet op Java", *Koloniale Studien*, Twaalfde Jaargang, Tweede Deel, (pp. 367-418). Weltevreden: G. Kolff & Co.
- Kielstra, E. B. (1888), "Java's grootste ramp", *De Gids*, Vol. 5, pp. 221-246.
- Kielstra, E.B. (1889), "De kleine verpachte middelen op Java", *De Gids*, Jaargang 53. Amsterdam: P.N. van Kampen & De Zon.
- Scheltema, J.F. (1907a), "The Opium Trade in the Dutch East Indies I", *The American Journal of Sociology*, 13 (1), pp. 79-112.
- Scheltema, J.F. (1907b), "The Opium Trade in the Dutch East Indies II", *The American Journal of Sociology*, 13 (2), pp. 224-251.

- Studenski, P. (1936), 'Modern Fiscal System: Their Characteristics and Trends of Development', *Annals of the American Academy of Political and Social Science*, Vol. 138, (), pp. 27-8
- Vellema, P. (1893), "Pandjeshuizen", *De Indische Gids*, Vol. 15 (II), pp. 1564–1592.
- Vitalis, L. (1851). "Over de pachten in het algemeen, de onzedelijkheid van sommige, en de verdrukking waaraan de overmatige misbruiken van andere Javaansche bevolking blootstellen", *Tijdschrift voor Nederlandsch-Indië*, Vol 13 (1851), No. 2, pp. 365-86.
- Warta Anti-Opium Vereeniging (AOV). No. 11-12 (Nov. 1940-April 1941)*. Batavia: AOV.
- Wellenstein, E.P. (1926), "Het Rapport Meyer Ranneft – Huender nopens den Belastingdruk op de Inheemse Bevolking van Java en Madoera", *Koloniale Studien*, Tiende Jaargang, Eerste Deel, pp. 111-150.

Books and Articles

- Abdulgani, R. (1976), *Alm. Dr. Sutomo yang Saya Kenal*. Jakarta: Yayasan Idayu.
- Acemoglu, D., S. Johnson and J.A. Robinson (2001), 'The Colonial Origins of Comparative Development: An Empirical Investigation', *American Economic Review*, Vol. 91, No. 5, pp. 1369-1401.
- Althusser, L. (2006), "Ideology and Ideological State Apparatuses (Notes towards an Investigation)", in Aradhana Sharma and Akhil Gupta (eds.) *The Anthropology of the State: A Reader*, Malden, MA [etc.]: Blackwell Publishing.
- Amran, R. (1988), *Sumatra Barat: Pemberontakan Pajak 1908*, Padang: Gika.
- Anjarwati Noordjanah (2004), *Komunitas Tionghoa di Surabaya, 1900-1946*. Semarang: Masyarakat Indonesia Sadar Sejarah (Messias).
- Anti-Opiumvereniging (1935), *Fatamorgana en Andere Verhalen, Lesboekje in verband met het Opiumvraagstuk in Insulinde*. Batavia: Anti Opiumvereniging.

- Bastin, J. (1954), *Raffles' Ideas on the Land Rent System in Java and the Mackenzie Land Tenure Commission*, 's-Gravenhage: Martinus Nijhoff.
- Bastin, J. (1961), *Essays on Indonesian and Malaysian History*. Singapore: Eastern Universities Press.
- Bayly, C.A. (2004), *The Birth of the Modern World 1780-1914: Global Connections and Comparison*, Malden, MA, [etc.]: Blackwell.
- Benda, H.J. and McVey, R. (eds.) (1960), *The Communist Uprisings of 1926-1927 in Indonesia: Key Documents*. Ithaca: Translation Series, Modern Indonesia Project, Cornell University.
- Berg, N. P. van den (1895), *The Financial and Economic Condition of Netherlands India since 1870 and the Effect of the Present Currency System*, 3rd edition, The Hague: Netherlands Economic and Statistical Society.
- Bloembergen, M. (2009), *De Geschiedenis van de Politie in Netherlands Indië: Uit Zorg en Angst*. Amsterdam/Leiden: Boom – KITLV Press.
- Blumberger, J. Th. P. (1931), *De Nationalistische Beweging in Nederlandsch-Indië*. Haarlem: H.D. Tjeenk Willink, 1931.
- Blussé, L. (1984), 'Labour Takes Root: Mobilization and Immobilization of Javanese Rural Society under the Cultivation System', *Itinerarion*, Vol. 8, Issue 1, pp. 77-117.
- Blussé, L. (2005), 'Changes of Regime and Colonial State Formation in the Malay Archipelago, 1780-1830: An Invitation to an International Research Project', Asia Research Institute Working Paper Series No. 41, Singapore: Asia Research Institute.
- Blussé, L. & Chen Menghong (eds.) (2003), *The Archives of the Kong Koan of Batavia*. Leiden [etc.]: Brill.
- Boeke, J.H. (1931), *Crediet-coöperatie Boemipoetera: (Koperasi Oetang-pioetang) dan Tjontoh Akte Mendirikannya (Statuten)*. Batavia: Balai Pustaka.
- Boeke, J.H. (1932), *Rural Credit in the Dutch East Indies*. London: s.n.
- Boeke, J.H. (1942, 1946), *The Structure of Netherlands Indian Economy*, Part 1 and 2, New York: Institute of Pacific Relations.

- Boeke, J.H. (1947), *Indische Economie: Boek I, De theorie der Indische Economie*. Haarlem : Tjeenk Willink, 1947.
- Boeke, J.H. (1953), *Economics and Economic Policy of Dual Societies, As Exemplified by Indonesia*, Haarlem: Tjeenk Willink.
- Boeke, J.H. (1961), *Indonesian Economic: The Concept of Dualism in Theory and Policy*, The Hague/Amsterdam: Royal Tropical Institute – Van Hoeve.
- Boeke, J.H. (1977), “Budget Studies in Koetoardjo, 1886 and 1888” (pp. 50-56); and “Budget studies in various part of Java, 1924-25” (pp. 97-113), reprinted and translated by C.L.M. Penders (ed.) in *Indonesia: Selected Documents on Colonialism and Nationalism, 1830-1942*. St. Lucia: University of Queensland Press.
- Boen Sing Ho (1898), *Buku Sair Binatang: Landak, Koeda dan Sapi*, reprint. Semarang: P.A. van Asperen van der velde & Co.
- Bonney, R, (ed.) (1995), *Economic Systems and State Finance*, Oxford [etc.]: Clarendon Press.
- Bonney, R. and Ormrod, W. (1999) “Introduction: Crises, revolutions and self-sustained growth – towards a conceptual model of change in fiscal history,” in W. M. Ormrod, M. Bonney, and R. Bonney (eds.) *Crises, Revolutions and Self-Sustained Growth: Essays in European Fiscal History*, c. 1130–1830. Stamford, CT: Shaun Tyas, 1–21.
- Bool, H.J. (1892), *De Verpachte Middelen in Nederlandsch-Indië*, Haarlem: s.n.
- Boomgaard, P. (1986), “Buitenzorg in 1805: the Role of Money and Credit a Frontier Colonial Society”, *Modern Asian Studies*, Vol. 20, No. 1, pp. 33-58.
- Boomgaard, P. (1989), *Children of the Colonial State: Population Growth and Economic Development in Java, 1795-1880*, CASA Monograph No.1, Amsterdam: Free University Press, Centre for Asian Studies.
- Boomgaard, P. (1990), *Between Sovereign Domain and Servile Tenure: the Development of Rights to Land in Java, 1780-1870*, Comparative Asian Studies No. 4, Amsterdam: Free University Press.

- Booth, A. (1980), 'The Burden of Taxation in Colonial Indonesia in the Twentieth Century', *Journal of Southeast Asian Studies*, Vol. 11, No. 1 (March), pp. 91-109.
- Booth, A. (1990), 'The Evolution of Fiscal Policies and the Role of Government in the Colonial Economy' in Anne Booth, William J. O'Malley, and Anna Weidemann (eds.) *Indonesian Economic History in the Dutch Colonial Era*, Monograph series 35, New Haven: Yale University Southeast Asian Studies.
- Booth, A. (1998), *The Indonesian Economy in the Nineteenth and Twentieth Centuries: A History of Missed Opportunities*, London (etc.): MacMillan and New York: St. Martin's Press.
- Booth, A. (2001), 'Why is South East Asia Different from Taiwan and South Korea?' in P. Lawrence and C. Thirtle (eds.) *Africa and Asia in Comparative Economic Perspective*, London (etc.): Palgrave Macmillan.
- Booth, A. (2003), 'Four Colonies and a Kingdom: A Comparison of Fiscal, Trade and Exchange Rate in South East Asia in the 1930s', *Modern Asian Studies*, Vol. 37, No. 2, pp. 429-60.
- Booth, A. (2007a), 'Night Watchman, Extractive, or Development States? Some Evidence from late Colonial South-east Asia', *Economic History Review*, Vol. 60, No. 2, p. 241-66.
- Booth, A. (2007b), *Colonial Legacies: Economic and Social Development in East and Southeast Asia*, Honolulu: Hawaii University Press.
- Braam, W. Van (1919), *Nota over het Ontstaan en de Groei van den Dienst der Zoutregie in Nederlandsch-Indië*. Batavia: Javasche Boekhandel & Drukkerij.
- Breman, J. C. (2010), *Koloniaal Profijt van Onvrije Arbeid: Het Preanger Stelsel van Gedwongen Koffieteelt op Java, 1720-1870*. Amsterdam: Amsterdam University Press.
- Brink, H.J. Van (1928), *De Belastingdruk in Nederlandsch-Indië*. Rotterdam: s.n.
- Brooshoft, P. (1888). *Memorie over den Toestand in Indië, ter Begeleiding van den open brief, op 7 Maart 1888 door 1255 ingezetenen van*

- Nederlandsch-Indië gezonden aan 12 Nederlandsche heeren. 1st Gedeelte: De Belastingen.* Semarang: H. van Alpen.
- Brooshoof, P. (1901), *De Ethische Koers in de Koloniale Politiek.* Amsterdam: De Bussy.
- Brooshoof, P. (1977), "The Ethical Direction in Colonial Policy" (pp. 65-77), reprinted and translated by C.L.M. Penders in *Indonesia: Selected Documents on Colonialism and Nationalism, 1830-1942.* St. Lucia: University of Queensland Press.
- Brown, Rajeswary A. (1994), *Capital and Entrepreneurship in Southeast Asia.* London/New York: Macmillan/St. Martin's Press.
- Brugmans, I.J. (1976), *Paardenkracht en Mensenmacht: Sociaal-economische Geschiedenis van Nederland, 1795-1940.* Den Haag: Martinus Nijhoff.
- Brunner, O.R.E. (1928), *De Unificatie van het Belastingstelsel in Nederlandsch-Indië.* Weltevreden: Kenanga.
- Burger, D. H. (1929), *Rapport over de desa Pekalongan in 1868 en 1928.* Weltevreden : Kolff & Co.
- Burger, D. H. (1956), *Structural Changes in Javanese Society.* Ithaca, NY : Modern Indonesia Project, Cornell University Press.
- Burger, D.H. (1975), *Sociologisch-economische Geschiedenis van Indonesia, 2 deel.* Amsterdam [etc.]: KIT – KITLV.
- Butcher, J. (1993), 'Revenue Farming and the Changing State in Southeast Asia', in John Butcher and Howard Dick (eds.) *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia,* London/New York (etc.): Macmillan/St. Martin's Press.
- Butcher, J. (1996), "The Salt Farm and Fishing Industry of Bagan Si Api Api", *Indonesia*, Vol. 62, (October), pp. 99-122.
- Butcher, J. & Dick, Howard (eds.) (1993), *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia,* London/New York (etc.): Macmillan/St. Martin's Press.
- Cardoso, J.L. and Lains, P. (eds), "Paying for the Liberal State", in J.L. Cardoso and Pedro Lains (eds.) *Paying for the Liberal State: The*

- Rise of Public Finance in Nineteenth-Century Europe*. Cambridge: Cambridge University Press, 2010, pp. 1-26.
- Carey, P. (1975), *Pangeran Dipanegara and the Making Java War*, Oxford: Oxford University Press.
- Carey, P. (1984), "Changing Javanese Perceptions of the Chinese Communities in Central Java, 1755-1825", *Indonesa*, Vol. 37, April, pp. 1-47.
- Carey, P. (1986), "Waiting for the 'Just King': the Agrarian World of South-Central Java from Giyanti (1755) to the Java War (1825-1830)," *Modern Asian Studies*, Vol. 20, Issue 1, pp. 59-137.
- Carey, P. (1997), "Civilization on Loan: the Making of an Upstart Polity, Mataram and Its Successors 1600-1830", *Modern Asian Studies*, Vol. 31, No. 3, pp. 711-734.
- Carey, P. (2007), *The Power of Prophecy: Prince Dipanegara and The End of An Old Order in Java, 1785-1855*, Leiden: KITLV Press.
- Carey, P. and Mason Hoadley (eds.) (2000), *The Archive of Yogyakarta: An edition of Javanese reports, letters and land grants from the Yogyakarta court dated between A.J. 1698 and A.J. 1740 (1772-1813) taken from materials in the British Library and the India Office Library (London)*, Vol.2: Documents related to economic and agrarian affairs. Oxford [etc.]: Oxford University Press.
- Chandra, S. (2000), "What the Numbers Really Tell Us about the Decline of the Opiumregie", *Indonesia*, Vo. 70, (October), pp. 101-124.
- Chandra, S. (2002), "The Role of Government Policy in Increasing Drug Use: Java, 1875-1914", *The Journal of Economic History*, Volume 62, Issue 4, pp. 1116-1121.
- Changing Economy in Indonesia Vol. 1* (1975): Indonesia's Export Crops, 1816-1940. Mansvelt, W.M.F. (et.al) The Hague: Martinus Nijhoff.
- Changing Economy in Indonesia Vol. 2* (1976): Public Finance, 1816-1839. Mansvelt, W.M.F., (et.al.). The Hague: Martinus Nijhoff.

- Changing Economy in Indonesia Vol. 6* (1980): *Money and Banking, 1816-1940*. J.T.M. Van Laanen (ed.), The Hague: Martinus Nijhoff.
- Changing Economy in Indonesia, Vol. 7* (1987): *Balance of Payment, 1823-1939*. Mansvelt, W.M.F., (et.al.). The Hague: Martinus Nijhoff.
- Changing Economy in Indonesia, Vol. 10: Food Crops and Arable lands, 1815-1942* (1990), Boomgaard, P. & J.L. van Zanden (ed.). Amsterdam: Royal Tropical Institute.
- Changing Economy in Indonesia, Vol. 11: Population Trends, 1795-1942* (1991). Boomgaard, P. & A.J. Gooszen (ed.). Amsterdam: Royal Tropical Institute.
- Changing Economy in Indonesia, Vol. 13: Wages, 1820–1940* (1992), Dros, N., et.al. (eds.) Amsterdam: Royal Tropical Institute (KIT).
- Chatterjee, P. (1993), *The Nation and Its Fragments: Colonial and Postcolonial Histories*, Princeton, NJ: Princeton University Press.
- Chatterjee, P. (2004), *The Politics of the Governed: Reflections on Popular Politics in Most of the World*, New York: Columbia University Press.
- Chatterjee, S.K. (1981), *Legal Aspects of International Drug Control*. The Hague: Martinus Nijhoff.
- Chen Menghong (2009), *De Chinese Gemeenschap van Batavia, 1843-1865: Een Onderzoek naae het Kong Koan Archief*. Leiden: PhD Dissertation Leiden University.
- Chijs, J. A. Van der (1900), *Nederlands-Indisch Plakaatboek*, Vol. 15: 1808-1809. 's-Gravenhage/Batavia: Nijhoff – Landsdrukkerij.
- Claver, A. (2006), *Commerce and Capital in Colonial Java: Trade Finance and Commercial Relations between Europeans and Chinese, 1820s-1942*. Phd Dissertation, Vrije Universiteit Amsterdam.
- Colombijn, F. (1995), “The Colonial Municipal Council in Padang (Sumatra) as Political Arena”, *Journal of Southeast Asian Studies*, Vol. 26, Issue 2, September, pp. 263-288.
- Coolhaas, W.Ph. (1943), *Mensch en Maatshappij*. Amsterdam/Deventer: Koloniaal Instituut – W. van Hoeve.

- Cribb, R. (1988), "Opium and the Indonesian Revolution", *Modern Asian Studies*, Vol. 22 (4), pp. 701-722.
- Cribb, R. (1994), 'Introduction: The late colonial state in Indonesia', in Robert Cribb (ed.) *The Late Colonial State in Indonesia: Political and economic foundations of the Netherlands Indies 1880-1942*, Leiden: KITLV Press.
- Cribb, R. (ed.) (1994), *The Late Colonial State in Indonesia: Political and economic foundations of the Netherlands Indies 1880-1942*, Leiden: KITLV Press.
- Cribb, R. & Kahin, A. (2004), *Historical Dictionary of Indonesia*. Lanham, Maryland: Scarecrow Press, Inc.
- Daendels, H. W. (1841), *Staat der Nederlandsche Oostindische bezittingen, onder het bestuur van den gouverneur-generaal Herman Willem Daendels, ridder, luitenant-generaal, enz. in de jaren 1808 tot 1811*. 's-Gravenhage: Gebroeders van Cleef.
- Darsiti Soeratman (1989), *Kehidupan Dunia Keraton Surakarta, 1830-1939*. Yogyakarta: Taman Siswa.
- Darwin, J. (1999), 'What Was the Late Colonial State', *Itinerario*, Vol. 23, Issue 3-4, pp. 73-82.
- Day, C. (1900), 'The Dutch Colonial Fiscal System', in *Essays in Colonial Finance*, publication of the American Economic Association, Vol. 1. No. 3. New York: the Macmillan.
- Day, C. (1904), *The Policy and Administration of the Dutch in Java*. New York: The Macmillan Press.
- Dedem, W. K. Van & M. C. Piepers (1889), "De Opiumpacht in Nederlandsch-Indie", *Verslagen der Algemeene Vergadering van het Indische Genootschap*. 's-Gravenhage: s.n., pp. 139-70.
- Deliar Noer (1973), *The Modernist Muslim Movement in Indonesia, 1900-1942*. Singapore [etc.]: Oxford University Press.
- Departement van Economische Zaken (1935), *Volkstelling 1930, Deel VII: Chineezzen en andere vreemde Oosterlingen in Nederlandsch-Indië*. Batavia: Landsdrukkerij.
- Deventer, C.Th. Van (1891), *Strafzaak Ho Tjiauw Ing: Pledooi van den Verdediger*. Semarang: H. van Alphen.

- Dick, H. (1993), 'A Fresh Approach to Southeast Asian History', in John Butcher and Howard Dick (eds.) *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia*, London/New York (etc.): Macmillan/St. Martin's Press.
- Dick, H., V. Houben, J. Th. Lindblad, and Thee Kian Wie (eds.) (2002), *The Emergence of A National Economy: An Economic History of Indonesia, 1800-2000*, St. Leonard/Leiden: ASAA/Allen & Unwin/KITLV Press.
- Dick, Howard (1993), "Oei Tiong Ham" in John Butcher and Howard Dick (eds.), *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of Modern State in Southeast Asia* (pp. 272-280). London/New York: Macmillan – St. Martin Press.
- Didi Kwartanada (2013), "The Tiong Hoa Hwee Koan School: A Transborder Project of Modernity in Batavia, c. 1900s" (pp. 27-43), in Siew-Min Sai and Chang-Yau Hoon (eds.), *Chinese Indonesians Reassessed: History, Religion, and Belonging*. London: Routledge.
- Diehl, F. W. (1993), 'Revenue Framing and Colonial Finances in the Netherlands East Indies, 1816-1925', in John Butcher and Howard Dick (eds.) *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia*, London/ New York (etc.): Macmillan/St. Martin's Press.
- Djojosoediro, R. (1922), *Tanda Peringatan bagi Dr. Abdul Rivai atas Djasanja dalam Volksraad*. Weltevreden: R. Djojosoediro.
- Dobbin, C. (1989), "From Middleman Minorities to Industrial Entrepreneurs: the Chinese in Java and the Pasis in Western India, 1619-1939", *Itinerario*, 13 (1), pp. 109-132.
- Dobbin, C. (1996), *Asian Entrepreneurial Minorities: Conjoint Communities in the Making of the World Economy, 1570-1940*. Nordic Institute of Asian Studies Monograph series No. 71. Richmond: Curzon.
- Doel, W. Van den (1994), *De Stille Macht: Het Europeese Binnenlands Bestuur op Java en Madoera, 1808-1942*. Amsterdam: Bert Bakker.

- Doel, W.H. Van den (1994), "Military Rule in the Netherlands Indies", in Robert Cribb (ed.), *The Late Colonial State in Indonesia. Political and Economic Foundations of the Netherlands Indies, 1880-1942*. Leiden: KITLV Press, pp. 57-78.
- Eerste Verslag van de Commissie tot Herziening van het Belastingstelsel in Nederlandsch-Indië* (1923). Commissie tot Herziening van het Belastingstelsel in Nederlandsch-Indië. Weltevreden: Landsdrukkerij.
- Elson, R. (1984), *Javanese Peasant and the Colonial Sugar Industry: Impact and Change in an East Java Residency, 1830-1940*, Singapore/Oxford: ASAA-Oxford University Press.
- Elson, R. (1992), 'International Commerce, the State, and Society: Economic and Social Change', in Nicolas Tarling (ed.) *The Cambridge History of Southeast Asia: From c. 1800 to the 1930s*, vol. 3, Cambridge: Cambridge University Press.
- Elson, R. (1994), *Village Java under the Cultivation System, 1830-1870*, Sydney: ASAA-Allen & Unwin.
- Eng, P. Van der (1992), 'The Real Domestic Product of Indonesia 1880-1989', *Exploration in Economic History*, Vol. 29, (3), pp. 343-373.
- Eng, P. Van der (2002), 'Indonesias Growth Performance in the Twentieth Century', in Angus Maddison, D.S. Prasada Rao and William F. Shepherd (ed.), *The Asian Economies in the Twentieth Century*, Cheltenham: Edward Elgar Publishing, pp. 143-179.
- Fasseur, C. (1975), *Kultuurstelsel and Koloniale Baten: De Nederlandse Exploitatie van Java, 1840-1860*, Leiden: Universitaire Pers.
- Fasseur, C. (1992), *The Politics of Colonial Exploitation: Java, the Dutch and the Cultivation System*, Ithaca: Southeast Asian Program, Cornell University.
- Fasseur, C. (1994), 'Cornerstone and stumbling block: Racial classification and the late colonial state in Indonesia', in Robert Cribb (ed.), *The Late Colonial State in Indonesia: Political and Economic Foundation of the Netherlands Indies, 1880-1942*. Leiden: KITLV Press.

- Fernando, R. & Bulbeck (1992), *Chinese Economic Activity in Netherlands India: Selected Translations from the Dutch*, Canberral Singapore: RSPAS ANU/ISEAS.
- Fokkens, F. (1914), *De Afschaffing der Laatste Heerendiensten op Java*. Barn: Hollandia.
- Fokkens, F. (1992), "Plea for tighter controls on Chinese revenue farming and immigration", in M.R. Fernando & David Bulbeck (eds.), *Chinese Economic Activity in Netherlands India: selected translations from the Dutch*. Singapore: Institute of Southeast Asian Studies.
- Foster, A.L. (2000), "Prohibition as Superiority: Policing Opium in South-East Asia, 1898-1925", *International History Review*, 22 (2), pp. 253-273.
- Frankema, E. (2010), 'Raising revenue in the British Empire, 1870-1940: How 'extractive' were colonial taxes?' *Journal of Global History*, Vol. 5, No. 3, pp. 447-477.
- Fruin, Th. A. (1935), *Voorloopige Handleiding voor het Credietbedrijf der Algemeene Volkscredietbank*. Batavia: Algemeene Volkscredietbank.
- Furnivall, J.S. (1934), *State Pawnshop in the Netherlands Indies. Studies in the Economic and Social Development of the Netherlands East Indies*. Rangoon: Burma Book Club.
- Furnivall, J.S. (1934), *State pawnshops in Netherlands India: Studies in the Economic and Social Development in the Netherlands East Indies*. Rangoon: Burma Book Club.
- Furnivall, J.S. (1934b), *State and Private Money-lending. Studies in the Social and Economic Development of the Netherlands East Indies*. Rangoon: Burma Book Club.
- Furnivall, J.S. (1944), *Netherlands India: A Study of Plural Economy*. Cambridge: Cambridge University Press.
- Furnivall, J.S. (1948), *Colonial Policy and Practice: A Comparative Study of Burma and Netherlands India*. New York: New York University Press.

- Gedenkschrift uitgegeven ter gelegenheid van het 25-jarige bestaan van den Gouvernements Pandhuisdienst, 1901- 1 April 1926* (1926). Weltevreden: Landsdrukkerij.
- Geertz, C. (1960), *The Religion of Java*. Glencoe: The Free Press.
- Geertz, C. (1963), *Agricultural Involution: The process of ecological change in Indonesia*. Berkeley, California: California University Press.
- Gelderens, J. Van (1922), *De Teoretische Grondslag der Progressieve Belasting*. Batavia-Weltevreden: Kolff.
- Ginkel, Fievez de Malines van (1929-1930), *Verslag van den Belastingdruk op de Inlandsche Bevolking in de Buitengewesten*. Weltevreden: Landsdrukkerij.
- Giok Bwee Hesseling-Tjan (2003), "The Kong Koan in Crises: The Case Study of the Malay Minutes Of 1918-1921," in Leonard Blussé & Chen Menghong (eds.), *The Archives of the Kong Koan of Batavia*. Leiden [etc.]: Brill.
- Giok Kiauw Nio Liem (2009), *De Rechtspositie der Chinezen in Nederlands-Indië*. Amsterdam: Leiden University Press.
- Goor, Jurrien Van (2004), *Prelude to Colonialism: the Dutch in Asia*, Hilversum: Verloren.
- Gouka, Klaas N.G.B. (2002), *De Petitie-Soetardjo: Een Hollandse Misser in Indië? (1936-1938)*. Amsterdam: Rozenberg.
- Graaf, H. J. De & Th. Pigeaud (1976), *Islamic States in Java, 1500-1700*. The Hague: Nijhoff.
- Groeneveldt, W. P. (1890), *Rapport over het Opium-monopolie in Fransch Indo-China in Verband met de Vraag in Hoever Beheer in Regie van dat Middel voor Nederlandsche-Indië Wenschelijk Is*. Batavia: Landsdrukkerij.
- Groneman, I. (1887). *Een Kètjoegeschiedenis*. Dordrecht: J.P. Revers.
- Haak, J. (1889), *Opiumregie met Normaal-tjandoe*. Semarang: Van Dorp & Co.
- Handboek voor Cultuur- en Handels-ondernemingen in Nederlandsch-Indië* (1940), Jaargang 52. Amsterdam: De Bussy.

Handelingen van den Volksraad (1918-1941/42). Batavia: Volksraad van Nederlandsch-Indië.

Handleiding ten dienste van de Inlandsche Bestuursambtenaren op Java en Madoera, No. 38/F, De Pandhuis-Regie (1919). Weltevreden: Uitgevers-Maatschappij "Papyrus".

Handleiding ten Dienste van de Inlandsche Bestuursambtenaren op Java en Madura No. 30/G.B. Het Zoutmonopolie (1919), Departement van Binnenlandsch Bestuur. Batavia: Ruygrok.

Haspel, C.Ch. Van den (1985), *Overzicht in Overleg: Hervorming van Justitie, Grondgebruik en Bestuur in de Vorstenlanden op Java, 1880-1930*. Dordrecht [etc.]: KITLV–Foris Publication.

Hasselmann, C.J. (1914), *Algemeen Overzicht van de Uitkomsten van het Welvaart-Onderzoek, Gehouden op Java en Madoera in 1904-1905: Opgemaakt Ingevolge Opdracht van Zijne Excellentie den Minister van Koloniën*. 's-Gravenhage: Nijhoff.

Heidhues, M. S. (1993), "Chinese organizations in West Borneo and Bangka: Kongsis and Huis", in David Ownby & Mary Somers Heidhues (eds.), *"Secret Society" Reconsidered: Perspectives On the Social History of Modern South China and Southeast Asia*. Armonk, NY [etc.]: M.E. Sharpe.

Heidhues, M. S. (1996), "Chinese Settlement in Rural Southeast Asia: Unwritten Histories", in Anthony Reid, et.al. (eds.), *Sojourners and Settlers: Histories of Southeast Asia and Chinese. In Honour of Jennifer Cushmann*. St. Leonard, NSW: Allen & Unwin – ASAA.

Heidhues, M. S. (2003), *Golddiggers, farmers, and traders in the "Chinese Districts" of West Kalimantan, Indonesia*. Ithaca: Southeast Asia Program Publications, Cornell University Press.

Helsdingen, W.H. Van (1928), *Tien Jaar Volksraad Arbeid, 1918-1928*. Weltevreden: Landsdrukkerij.

Henley, D. & Boomgaard P. (eds.) (2009), *Credit and Debt in Indonesia, 860-1930: From Peonage to Pawnshop, From Kongsis to Cooperative*. Leiden/Singapore: KITLV-ISEAS.

Hoëvell, W.R. Van (1860), *Uit Het Indische Leven*. Zalt-Bommel: Joh. Noman.

- Houben, V.J. (1994), "Profit versus Ethics: Government Enterprises in the Late Colonial State", in Robert Cribb (ed.), *The Late Colonial State in Indonesia. Political and Economic Foundations of the Netherlands Indies, 1880-1942*. (p. 191-211). Leiden: KITLV Press.
- Houben, V.J. (1994), *Kraton and Kumpeni: Surakarta and Yogyakarta, 1830-1870*. Leiden: KITLV Press.
- Houben, V.J. (2002), 'Java in the 19th century: consolidation of a territorial state', in Howard Dick, et.al., *The Emergence of A National Economy: An Economic History of Indonesia, 1800-2000*. St. Leonard/Leiden: Allen & Unwin – KITLV Press.
- Hughenoltz, W. R. (1994), 'The Landrent Question and its Solution, 1850-1920', in Robert Cribb (ed.), *The Late Colonial State in Indonesia: Political and Economic Foundation of the Netherlands Indies, 1880-1942*. Leiden: KITLV Press.
- Hughenoltz, W. R. (2008), *Landrentebelasting op Java, 1812-1920*. Leiden: PhD Dissertation Leiden University.
- Huizenga, L.H. (1958), *Het Koeliebudgetonderzoek op Java in 1939-40*. PhD Thesis, Wageningen: Vada.
- Hulshoff, B. (1913), *De Inkomstenbelasting: Ordonantie regelende de belasting op de inkomsten van 30 Maart 1908, Staatsblad No. 298*. Batavia.
- Hüsken, F. (1994), "Declining Welfare in Java: Government and Private Inquiries, 1903–1914", in Robert Cribb (ed.), *The Late Colonial State in Indonesia. Political and Economic Foundations of the Netherlands Indies, 1880-1942*. Leiden: KITLV Press, pp. 213-227.
- Idema, H.A. (1924), *Parlementaire Geschiedenis van Nederlandsch-Indië, 1891-1918*. 's-Gravenhage: Martinus Nijhoff.
- Jaarverslag – Anti-opium Hospitaal Vereeniging te Batavia (1915-1919 1/3)*. Batavia: Boekhandel Courant.
- Jaarverslag der Nederlandsch-Indische Anti-opium Vereeniging te Bandoeng (1927)*. Bandoeng: Maks & Van der Klits.
- Jonge, H. de (1993), "Monopolization and Resistance: State and Salt Producers in Madura", in Pierre Le Roux and Jacques Ivanoff (eds),

- Le Sel de La Vie du Sud-est.* (pp. 165-184) Paris: Prince of Songkla University – Centre National de la Recherche Scientifique.
- Jonge, H. de (2004), “State and Welfare in the Late Colonial Period: The Madura Welfare Fund”, *Asian Journal of Social Science*, 32 (1), pp. 91-104.
- Jonquiere, P.W. (1924), *Javaansche Wetten, Verordeningen en Regelingen beheerschende de Agrarische Verhoudingen in het Rijk van den Soesoehoenan van Soerakarta*. Soerakarta: Siang Hak in Kwan.
- Kahin, A. (1996), “The Communist Uprising in Sumatra: A Reappraisal”, *Indonesia*, Vol. 62 (October), pp. 19-36.
- Kahin, George McTurnan (1952), *Nationalism and Revolution in Indonesia*. Ithaca: Cornell University Press.
- Karch, Steven B. (1999), “Japan and the Cocaine Industry of Southeast Asia, 1864-1944”, in Paul Gootenberg (ed.), *Cocaine: Global Histories*. London [etc.]: Routledge, pp. 146-161.
- Kat Angelino, A.D.A. de (1931), *Staatkundig Beleid en Bestuurszorg in Nederlandsch Indië. Deel 2. De Overheidszorg in Nederlandsch Indië*. 's-Gravenhage: Nijhoff.
- Kemp, P.H. Van der (1894), *Handboek tot de Kennis van 's Lands Zoutmiddel in Nederlandsch-Indië: Eene Economisch-historische Studie*. Batavia/'s-Gravenhage: Kolff.
- Khoo Khay Jin (1993), ‘Revenue Farming and State Centralisation in Nineteenth Century Kedah’, in John Butcher and Howard Dick (eds), *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia*, London/New York (etc.): Macmillan/St. Martin's Press.
- Klein, P. W. (1989), *The Monetisation of the Dutch East India: A Case of Changing Continuity, 1602-1942*. Wassenaar: NIAS – Uhlenbeck Lecture.
- Knaap, G. and Luc Nagtegaal (1991), ‘A Forgotten Trade: Salt in Southeast Asia 1670-1813’ in Roderich Ptak and Dietmar Rothermund (eds.) *Emporia, Commodities and Entrepreneurs in Asian Maritime Trade c. 1400-1750*. Wiesbaden: Steiner.
- Koentjaraningrat (1984), *Kebudayaan Jawa*. Jakarta: Balai Pustaka.

- Koloniaal Verslag* (1849-1931). 's-Gravenhage: Algemeene Landsdrukkerij.
- Kort, M. de (1994), "A Short History in the Netherlands", in Ed. Leeuw and I. Haen Marshall (eds.), *Between Prohibition and Legalization: the Dutch Experiment in Drug Policy*. Amsterdam/ New York: Kugler Publications, pp. 3-22.
- Kort, M. de (1995), *Tussen patiënt en Delinquent: Geschiedenis van het Nederlandse Drugsbeleid*. Hilversum: Verloren
- Kort, M. de (1999), "Doctors, Diplomats, and Businessmen: Conflicting Interests in the Netherlands and Dutch East Indies, 1860-1950", in Paul Gootenberg (ed.), *Cocaine: Global Histories*. London [etc.]: Routledge, pp. 123-145.
- Kuipers, A.H. (1999), *In de Indische Wateren: Anske Hielke Kuipers, Gezaghebber bij de Gouvernementsmarine, 1833-1902*. Zutphen: Walburg Press.
- Kuntowijoyo (1980), *Social Change in An Agrarian Society: Madura, 1850-1940*. PhD Thesis, Columbia University, New York. University Microfilm International, Ann Arbor, Michigan.
- Kuntowijoyo (1986), "The Noble and the Rich, the Decline of Tributary Fiscal System of Madura in the Nineteenth Century", in Sartono Kartodirdjo (ed.) *Papers of the Fourth Indonesian-Dutch history conference, 24th-29th July 1983, Yogyakarta*. Yogyakarta: Gadjah Mada University Press.
- Kwee Hui Kian (2006), *The Political Economy of Java's Northeast Coast, c. 1740-1800: Elite Synergy*. Leiden: Brill.
- Laanen, J.T.M. Van (1990), "Between the Java Bank and the Chinese Moneylender: Banking and Credit in Colonial Indonesia", in Anne Booth, et.al. (eds.), *Indonesian Economic History in the Dutch Colonial Era*. New Haven, CT: Yale University Press.
- Leeuw, Ed & Marshall, I. H (eds.) (1994), *Between Prohibition and Legalization: the Dutch Experiment in Drug Policy*. Amsterdam/ New York: Kugler Publications,
- Lette, J. R. (1933), *Onderzoek naar de Werking van het Pandcrediet onder de Inlandsche Bevolking, deel 1*. Batavia: s.n.

- Leur, J.C. Van (1955), *Indonesian Trade and Society: Essays in Asian Social and Economic History*. The Hague [etc.]: Van Hoeve.
- Levi, M. (1988), *Of Rule and Revenue*, Berkeley [etc.]: University of California Press.
- Liem Thian Joe (1931), *Riwayat Semarang (dari djamannja Sam Poo sampe terhapoesnja Kongkoan) (1436-1931)*. Semarang: Ho Kim Yoe.
- Liem Thian Joe (2004), *Riwayat Semarang*, reprint, 2nd edition. Jakarta: Hasta Wahana.
- Liem Tjwan Ling (1979), *Raja Gula Oei Tjong Ham*. Surabaya: Liem Tjwan Ling.
- Lindblad, J. Th. (2002), "The Late Colonial State and Economic Expansion, 1900-1930s" (pp. 111-152), in Howard Dick, et.al., *The Emergence of A National Economy: An Economic History of Indonesia, 1800-2000*. St. Leonards/Leiden: Allen & Unwin/KITLV.
- Lith, P.A. Van der (ed.) (1896-1905), *Encyclopaedie van Nederlandsch-Indië*, Deel 1-4. 's-Gravenhage/Leiden: Nijhoff/Brill.
- Locher-Scholten, Elsbeth (1981), *Ethiek in Fragmenten: Vijf Studies over Koloniaal Denken en Doen van Nederlanders in de Indonesische Archipel, 1877-1942*. Utrecht: Hes.
- Lohanda, M. (1996), *The Kapitan Cina of Batavia, 1837-1942: A History of Chinese Establishment in Colonial Society*. Jakarta: Djambatan
- Lohanda, M. (2001), *The Kapitan Cina of Batavia, 1837-1942: A History of Chinese Establishment in Colonial Society*. 2nd edition. Jakarta: KITLV-Djambatan.
- Lohanda, M. (2002), *Growing Pains: the Chinese and the Dutch in Colonial Java, 1890-1942*. Jakarta: Yayasan Cipta Loka Caraka.
- Luijk E.W. Van & Ours, J.C. Van (1998), "On the Determinants of Opium Consumption; An Empirical Analysis of Historical Data", CentER Discussion Paper, CentER for Economic Research, Department of Economics, Tilburg University and CEPR.

- Luijk, E.W. van & Ours, J.C. van (2001), "The Effects of Government Policy on Drug Use, Java, 1875-1904", *The Journal of Economic History*, 61 (1), pp. 1-18.
- Luijk, E.W. van & Ours, J.C. van (2001), "The Effect of Government Policy on Drug Use: Java, 1875-1904", *The Journal of Economic History*, Vol. 61, Issue 1, pp. 1-18.
- Mackie, J. (1991), "Towkays and Tycoons: the Chinese in Indonesian Economic Life in the 1920s and 1980s", *Indonesia*, Special Edition (July), pp. 83-96.
- Maddison, A. (1989), 'Dutch Income in and from Indonesia 1700-1938', *Modern Asian Studies*, Vol. 23, Issue 4, pp. 645-670.
- Maddison, A. (2001), *The World Economy: A Millennial Perspective*, Paris: Development Centre of the EOCED.
- Mamdani, M. (1996), *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism*, Princeton, NJ [etc.]: Princeton University Press.
- Mansury, R. (1992), *The Indonesian Income Tax: A Case Study in Tax Reform*. PhD Thesis, Erasmus University, Rotterdam.
- Margana, S. (2007), *Java's Last Frontier: the Struggle for Hegemony of Blambangan, c. 1763-1813*. Leiden: PhD Dissertation Leiden University.
- McVey, Ruth (1965), *The Rise of Indonesian Communism*. Ithaca: Cornell University Press.
- Mellegers, J. (2004), "Public Finance of Indonesia, 1817-1940." Working Memorandum. Indonesian Economic Development, International Institute of Social History, Amsterdam (www.iisg.nl/indonesianeconomy/).
- Moehamad Hoesni Thamrin (1935), *Politieke, Economische en Financiële Beschouwingen over het Huidige Regeeringsbeleid: Rede Uitgesproken door M.H. Thamrin*. Batavia: s.n.
- Money, J. B. (1861), *Java; or, How to manage a colony: showing a practical solution of the questions now affecting British India*. London: Hurst and Blackett.

- Moresco, E., et.al. (1923), *Gedenkboek voor Nederlandsch-Indië: ter gelegenheid van het regeeringsjubileum van H.M. de Koningin, 1898-1923*. Batavia/Leiden: Kolff.
- Musto, D.F. (1987), *The American Disease, Origins of Narcotic Control*. Oxford [etc.]: New York University Press.
- Nagazumi, A. (1974), "The Pawnshop Strikes of 1922 and the Indonesian Political Parties", *Archipel*, Vol. 8, pp. 187-206.
- Nagtegaal, L. (1996), *Riding the Dutch Tiger: the Dutch East Indies Company and the Northcoast of Java, 1680-1743*. Leiden: KITLV Press.
- Nankoe, H., Jean-Claude Gerlus and Martin J. Murray (1993), "The Origins of Opium Trade and the Opium Regie in Colonial Indochina" in John Butcher and Howard Dick (eds) *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia*, London/New York (etc.): Macmillan/St. Martin's Press.
- Nederburgh, *Opium-Smokkelhandel; iets over een middel om zonder eenige kosten, verlies of winstderving voor de schatkist, en zonder eernstig bezwaar of gevaar, den opium-smokkelhandel op Java en Madura zeer belangrijk te verminderen* ('s-Gravenhage: Martinus Nijhoff, 1889).
- Neumark, D. (1954), "The National Income of Indonesia, 1951-1952", *Ekonomi dan Keuangan Indonesia*, Vol. 7, No. 6 (May), pp. 348-391.
- Niel, R. van (1960), *The Emergence of Modern Indonesian Elite*. The Hague [etc.]: Van Hoeve.
- Niel, R. van (1992), *Java under the Cultivation System: Collected writings*. Leiden: KITLV Press.
- Niel, R. van (2005), *Java's Northeast Coast, 1740-1840: A Study in Colonial Encroachment and Dominance*. Leiden: CNWS publication.
- Nordholt, H. Schulte (2002), 'A genealogy of violence', in F. Colombijn and J.Th. Lindblad (eds), *Roots of Violence in Indonesia*.

- Contemporary Violence in Historical Perspective* (pp. 33-61). Leiden: KITLV Press.
- Nordholt, H. Schulte (2011), "Modernity and Cultural Citizenship in the Netherlands Indies: An Illustrated Hypothesis", *Journal of Southeast Asian Studies*, 42 (3), pp. 435-457.
- O' Malley, W.J. (1979), "The Bengkalis Hunger Riots in 1935", in Francien van Aanroij (ed.), *Between People and Statistics: Essays on Modern Indonesian History Presented to P. Creutzberg*. The Hague/ Amsterdam: Nijhoff – Royal Tropical Institute.
- Ondernemersraad voor Nederlandsch-Indië (1924), *Advies van den Ondernemersraad voor Nederlandsch-Indië aan den Minister van Koloniën, betreffende het "Eerste Verslag van de Commissie tot herziening van het Belastingstelsel in Nederlandsch-Indië*. Helder: De Boer.
- Onghokham (1977), 'Pulung Affair: Pemberontakan Pajak di Desa Patik, Beberapa Aspek Politik di Madiun Pada Abad ke-19', *Majalah Ilmu-ilmu Sastra Indonesia*, vol. 7, No.1, pp. 1-25.
- Onghokham (1979), 'Perubahan Sosial di Madiun: Pajak dan Pengaruhnya terhadap Penguasaan Tanah', Monograph Paper, Bogor/Rotterdam: Institut Pertanian Bogor – Erasmus University of Rotterdam.
- Onghokham (1985), "Pajak Dalam Perspektif Sejarah", *Prisma*, Vol. 14, No. 4 (April), pp. 74-85.
- Otterloo, A. de Mol van (1933), *De Opiumschuiver in Het Hospitaal*. Utrecht: Kemink.
- Ours, J.C. van (1995: 266), "The Price Elasticity of Hard Drugs: The Case of Opium in the Dutch East Indies, 1923-1938", *Journal of Political Economy*, Vol. 193 (2), April, pp. 261-279.
- Paauw, D. (1960), *Financing Economic Development: the Indonesian Case*. Massachusetts Institute of Technology, Center for International Studies. Glencoe, IL: Free Press.
- Paulus, J. (1909), "Finance", in Arnold Wright (ed.), *Twentieth Century Impression of Netherlands India*. London: Lloyd's Greater Britain Publishing Company.

- Paulus, J. et.al., (eds.) (1917-1939), *Encyclopaedie van Nederlandsch-Indië*, Deel I-IX. 's-Gravenhage/Leiden: Nijhoff/Brill.
- Penders, C.L.M. (1977), "The Ethical Policy" (pp. 61-65), in C.L.M. Penders (ed.), *Indonesia : selected documents on colonialism and nationalism, 1830-1942*. St. Lucia: University of Queensland Press.
- Perelaer, M.T.H. (1886), *Baboe Dalima: Opium roman*. Amsterdam: Elsevier.
- Peter Salim & Yeni Salim (1991), *Kamus Bahasa Indonesia Kontemporer*. Jakarta: Modern English Press.
- Piepers, M.C. (1884), *Macht tegen Recht: De Vervolging der Justitie in Nederlandsch Indië*. Batavia: Van Dorp & Co.
- Polak, J.J. (1942). *The National Income of the Netherlands Indies, 1921-1939*. Djakarta: Jajasan Badan Penerbitan, Fakultas Ekonomi, Universitas Indonesia. Reproduced in Mansvelt, W.M.F., et.al. (eds.), *Changing Economy in Indonesia, Vol. 5. National Income*. The Hague: Nijhoff.
- Post, P. (2011), "The Oei Tiong Ham Concern and the Change of Regimes in Indonesia," in Marleen Dieleman, et.al. (eds.), *Chinese Indonesians and Regime Change*. Leiden: Brill.
- Raffles, T.S. (1817), *The History of Java*. London: Black, Parbury and Allen.
- Ralph (1901), *Interpellatie van den afgevaardigde Van Kol in de Tweede Kamer der Staten-Generaal, betreffende de benoeming van resident Fokkens tot tijdelijk lid van de Algemeene Rekenkamer in Nederlandsch-Indië*. 's-Gravenhage: Zuid-Holl.
- Ranneft, J.W. Meijer & Huender, W. (1926). *Onderzoek naar den Belastingdruk op de Inlandsche Bevolking*. Weltevreden: Landsdrukkerij.
- Regeerings-Almanak voor Nederlandsch-Indië 1880*. Batavia: Landsdrukkerij.
- Reid, Anthony J.S. (1993), 'The Origins of Revenue Farming in Southeast Asia' in John Butcher and Howard Dick (eds.), *The Rise and Fall of Revenue Farming: Business Elites and the Emergence*

- of the Modern State in Southeast Asia*, London/New York (etc.): Macmillan/St. Martin's Press.
- Reid, Anthony J.S. (1988), *Southeast Asia in the Age of Commerce 1450-1680, Volume One: The Lands Below the Winds*. New Haven, CT: Yale University Press.
- Reid, Anthony J.S. (1993), *Southeast Asia in the Age of Commerce 1450-1680, Volume Two: Expansion and Crisis*. New Haven, CT: Yale University Press.
- Report of the International Opium Commission Shanghai: China February 1 to February 26* (1909). 2 Volumes. Shanghai: North China Daily News & Herald.
- Ricklefs, M. C. (1974), *Jogjakarta under Sultan Mangkubumi, 1749-1792: A History of the Division of Java*. London: Oxford University Press.
- Ricklefs, M. C. (1993), 'The Crisis of 1740-1 in Java: the Javanese, Chinese, Madurese, and Dutch, and the fall of the court of Kartasura', *Bijdragen tot de Taal-, Land- en Volkenkunde van Nederlandsch Indië*, Vol. 139, No. 2/3, pp. 268-290.
- Ricklefs, M. C. (1998), *The Seen and Unseen World in Java, 1726-1749: History, Literature, and Islam in the Court of Pakubuwana II*. St. Leonard: Allen & Unwin
- Ricklefs, M. C. (2008), *A History of Modern Indonesia, ca. 1200*. 3rd edition. Basingstoke [etc.]: Palgrave Macmillan.
- Roger Thomas, A. (1966), *King Leopold's Legacy: the Congo under Belgian Rule 1908-1960*, London: Oxford University Press.
- Roo, L.W.G. de (1897), *De Invoering van Opium-regie: Eenige Opmerkingen*. 's-Gravenhage: Martinus Nijhoff.
- Rouffaer, G. P. (1931), *Vorstenlanden*. 's-Gravenhage: s.n.
- Rückert, J.J.G.E. (1930), "De ontwikkeling van de financiën der autonome gemeenschappen", in F.W.M. Kerchman, et.al (eds.) *25 jaren decentralisatie in Nederlandsch-Indië: 1905-1930*. Weltevreden: Vereeniging voor Locale Belangen (Semarang).
- Rush, J. (1990), *Opium to Java: Revenue Farming and Chinese Enterprise in Colonial Indonesia 1860-1910*, Ithaca: Cornell University Press.

- Rush, J. (1991), "Placing the Chinese in Java in the Eve of Twentieth Century", in *Indonesia*, special issue, (July), pp. 13-24.
- Sajogyo (1977), "Golongan Miskin dan Partisipasi dalam Pembangunan Desa", *Prisma*, Vol. 6 (3), pp. 10-17.
- Salmon, C. (1991a), 'The Han Family of East Java: Entrepreneurship and Politics (18th-19th Century)', *Archipel*, Vol. 41, No. 1, pp. 53-87.
- Salmon, C. (1991b), "A Critical View of the Opium Farmers as Reflected in a Syair by Boen Sing Ho (Semarang 1889)," *Indonesia*, Special Issue, pp. 25-52.
- Salmon, C. (1996), "Ancestral Hall, Funeral Associations, and Attempts at Resinicization in Nineteenth-Century Netherlands India", in Anthony Reid (ed.), *Sojourners and Settlers: Histories of Southeast Asia and the Chinese*. St. Leonards, NSW: Allen & Unwin.
- Salmon, C. (1997), "La Communauté chinoise de Surabaya: essai d'histoire, des origines à la crise de 1930," *Archipel*, Vol. 53, pp. 121-206.
- Salmon, C. (2004), "The Han Family from the Residency of Besuki (East Java) as Reflected in a Novella by Tjoa Boe Sing," *Archipel*, Vol. 68, pp. 273-287.
- Sartono Kartodirdjo (1966), *The Peasant Revolt of Banten in 1888, Its Condition, Course, and Sequel: A Case Study of Social Movement in Indonesia*, 's-Gravenhage: Martinus Nijhoff.
- Sartono Kartodirdjo (1973), *Protest Movement in Rural Java: A Study of Agrarian Unrest in the 19th and early 20th Century*, Singapore [etc.]: Oxford University Press.
- Sartono Kartodirdjo (1978), *Protest Movements in Rural Java: A Study of Agrarian Unrest in the Nineteenth and Early Twentieth Centuries*. Kualalumpur [etc.]: Oxford University Press.
- Sartono Kartodirdjo (1981), *Laporan-laporan tentang Gerakan Protes di Jawa pada Abad-XX*. Jakarta: Arsip Nasional Republik Indonesia.
- Sartono Kartodirdjo (1993), *Pengantar Sejarah Indonesia Baru: Sejarah Pergerakan Nasional*, Cet. 3. Jakarta: Gramedia.

- Schrieke, B. (1955), *Indonesian Sociological Studies: Selected writings of B. Schrieke, Vol. 2: Ruler and realm in early Java*. The Hague/Bandung: Van Hoeve.
- Selo Soemardjan (1962), *Social Change in Jogjakarta*. Ithaca, NY: Cornell University Press.
- Skinner, William G. (1996), “Creolized Chinese Society in Southeast Asia”, in in Anthony Reid, et.al. (eds.), *Sojourners and Settlers: Histories of Southeast Asia and Chinese. In Honour of Jennifer Cushmann*. St. Leonard, NSW: Allen & Unwin – ASAA.
- Skocpol, T. (1985), ‘Bringing the State Back In: Strategies of Analysis in Current Research’, in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (eds.) *Bringing the State Back In*, Cambridge: Cambridge University Press.
- Smokkelmethoden (Opium en Andere Verdoovende Middelen)* (1931). Batavia: Top. Dienst.
- Soemarsaid Moertono (1981), *State and Statecraft in Old Java: A Study of the later Mataram Period, 16th to 19th century*. Ithaca: Modern Indonesia Project, Cornell University.
- Souterwoude, W. E. van (1890-1891), *De Opium-vloek op Java: Tijdschrift van den Anti-opiumbond*. 's-Gravehage: Anti-opiumbond.
- Souza, George Bryan (2009), “Opium and the Company: Maritime Trade and Imperial Finance on Java, 1684-1796,” *Modern Asian Studies*, Vol. 43, Issue 1, pp. 113-133.
- Stapel, F. W. (1940), *Geschiedenis van Nederlandsch-Indië*, Deel 5. Amsterdam: Joost van den Vondel.
- Statistisch jaaroverzicht van Nederlandsch-Indië over (1923–1930)*. Buitenzorg: Statistisch Kantoor.
- Statistisch jaaroverzicht van Nederlandsch-Indië over 1931/32 – 1939/40*. Batavia: Centraal Kantoor voor de Statistiek – Landsdrukkerij.
- Steinmetz, B.J.F. (1933), *De Indische Venootschapsbelasting: (Ordonantie op de Venootschapsbelasting 1925)*. Haarlem: H.D. Tjeenk Willink.

- Steinmetz, B.J.F. (1937), *De progressieve Winstbelasting en het Nederlandsch-Indische Belastingvraagstuk: Een Fiscaal-vergelijkende en Fiscaal-Economische Studie*. Amsterdam: De Bussy.
- Stevens, Theodoor (1982), *Van der Capellen's Koloniale Ambitie op Java: Economisch beleid in een stagnerende conjunctuur, 1816-1826*. Amsterdam: Historisch Seminarium van Universiteit van Amsterdam.
- Stromquist, S. (1967), "The Communist Uprising of 1926 in Indonesia: A Reinterpretation," *Journal of Southeast Asian History*, 18/2 (September), pp. 189-200.
- Struick, N.J. (1889), *Opiumpacht of Opiumregie?* 's-Gravenhage: Cremer.
- Sumitro Djojohadikusumo (1943), *Het Volkscredietwezen in de Depressie*. Haarlem: De Erven F. Bohn.
- Sumitro Djojohadikusumo (1989), *Kredit Rakyat di Masa Depresi*. Jakarta: LP3ES.
- Suryadinata, L. (1976), *Peranakan Chinese Politics in Java, 1917-42*. Singapore: Institute of Southeast Asian Studies.
- Suryadinata, L. (1978), *The Chinese Minority in Indonesia: Seven Papers*. Singapore: Chopmen Enterprises.
- Sutherland, H. (1979), *The Making of a Bureaucratic Elite: the Colonial Transformation of the Javanese Priyayi*. Singapore [etc.]: Heinemann.
- Sutherland, H. (1979), *The Making of A Bureaucratic Elite: the Colonial Transformation of the Javanese Priyayi*. Singapore [etc.]: Heinemann.
- Svensson, T. (1992), 'State bureaucracy and capitalism in rural West Java in 19th and 20th century', in Bernard Dahm (ed.), *Region and Regional Development in the Malay-Indonesian World: European Colloquium on Indonesian and Malay Studies No. 6*. Wiesbaden: Harrassowitz.
- Swedberg, R. (1991a), *Joseph A. Schumpeter: His Life and Work*, Cambridge [etc.]: Polity Press.

- Swedberg, R. (1991b), *The Economics and Sociology of Capitalism*, Princeton, NJ: Princeton University Press.
- Tagliacozzo, E. (2005), *Secret Trades, Porous Borders: Smuggling and States along A Southeast Asian Frontier, 1865-1915*. New Haven, CT: Yale University Press.
- Taselaar, A. (1998), *De Nederlandse Koloniale Lobby: Ondernemers en de Indische Politiek, 1914-1940*. Leiden: Research School CNWS.
- Thee Kian Wie (1989), "The Development of Sumatra, 1830-1940" in in Angus Maddison and Gé Prince (eds.), *Economic Growth in Indonesia, 1820-1940* (p. 133-158). Dordrecht [etc.]: Foris Publication.
- The Siauw Giap (1981), "Rural Unrest in West Kalimantan: the Chinese Uprising in 1914", in W.L. Idema (ed.), *Leyden Studies in Sinology* (Sinica Leidensia XV). Leiden: E.J. Brill.
- The Siauw Giap (1998), "Socio-economic role of the Chinese in Indonesia, 1820-1940", in Angus Maddison and Gé Prince (eds.), *Economic Growth in Indonesia, 1820-1940*. Dordrecht [etc.]: Foris Publication.
- Thomas, Theodoor (1893), *Eenige Opmerkingen naar Aanleiding van het Pachtstelsel op Java*, Leiden: Brill.
- Tilly, Ch. (1990), *Coercion, Capital, and European States, AD 990-1990*, Cambridge: Blackwell.
- Touwen, J. (2001), *Extremes in the Archipelago: Trade and Economic Development in the Outer Islands of Indonesia, 1900-1942*. Leiden: KITLV Press.
- Treub, M.W.F. (1922) *Nota van Mr. M.W.F. Treub, Voorzitter van den Ondernemersraad voor Nederlands Indië, over de Inkomstenbelasting, de Extrawinstbelasting van Naamloze Venootschappen, de Productenbelastingen en de Uitvoerrechten op producten van Ondernemingen*. 's-Gravenhage: Mouten & Co.
- Treub, M.W.F. (1923), *Nadere Beschouwing over de Indische Venootschapsbelasting*. Weltevreden: Visser & Co.
- Trocki, C. A. (1990), *Opium and Empire: Chinese Society in Colonial Singapore, 1800-1910*. Ithaca, NY: Cornell University Press.

- Trocki, C. A. (1993), 'The Collapse of Singapore's Great Syndicate', in John Butcher and Howard Dick (eds.) *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia*, London/New York (etc.): Macmillan/St. Martin's Press.
- Trocki, C. A. (1999), *Opium, Empire and the Global Political Economy: A Study of the Asian Opium Trade, 1750-1950*. London: Routledge.
- Trocki, C. A. (2002), "Opium and the Beginning of Chinese Capitalism in Southeast Asia," *Journal of Southeast Asian Studies*, Vol. 33, No. 2, pp. 297-314.
- Trocki, C. A. (2009), "Chinese Revenue Farms and Borders in Southeast Asia", *Modern Asian Studies*, Vol. 43 (1), January, pp. 355-362.
- Twang Peck Yang (1998), *The Chinese Business Elite and the Transition to Independence, 1940-1950*. Kuala Lumpur [etc.]: Oxford University Press.
- Van Aanroij, F. (ed.) (1979), *Between People and Statistics: Essays on Modern Indonesian History Presented to P. Creutzberg*. The Hague/ Amsterdam: Nijhoff – Royal Tropical Institute.
- Vanvugt, E. (1985), *Wettig Opium: 350 Jaar Nederlandse Opiumhandel in de Indische Archipel*. Haarlem: In de Knipscheer
- Verslag Betreffende de Opium- en Zoutregie en de Zoutwinning over het jaar (1934-1940)*. Batavia: Landsdrukkerij, 1935-1941.
- Verslag Betreffende de Opium- en Zoutregie en de Zoutwinning over het jaar 1934 (1935) – 1940 (1941)*. Dienst der Opiumregie; Dienst der Zoutregie. Batavia: Landsdrukkerij.
- Verslag Betreffende den Dienst der Opiumregie over 1915 (1916) – 1933 (1934)*. Batavia : Dienst der Opiumregie.
- Verslag van den Dienst der Zoutregie en van de Daarbij Behoorende Afdeeling: Vervoer en Verkoop (1920-1934)*. Weltevreden: Landsdrukkerij.
- Verslag van den Dienst der Zoutregie en van de Daarbij Behoorende Afdeeling: Vervoer en Verkoop 1916 (1920) – 1933 (1934)*. Weltevreden: Landsdrukkerij.

- Verslag/Opiumfabriek* (1908-1916). Departement van Gouvernementsbedrijven Opiumfabriek Nederlandsch- Indië. Batavia : Van Dorp, 1909-1916.
- Visser, J. (1924), *Overzicht van het Belastingwezen van Nederlandsch-Indië: Voor Onderwijs en Praktijk*. Batavia: Van Dorp & Co.
- Vitalis, L. (1992), "Effect of the Revenue Farming System," in M.R. Fernando & D. Bulbeck (eds.), *Chinese Economic Activity in Netherlands India: Selected Translations from the Dutch*. Singapore[etc.]: ISEAS-RSPAS ANU.
- Vleming, J.L. & Gelderen, J. van (1923), *Theorie en Praktijk van de Indische Belastingen: lezingen gehouden te Weltevreden in de openbare vergadering van 4 April 1923*. Weltevreden: Indonesisch Drukkerij.
- Vlemink, J.L. (1925), *Het Chineesche Zakenleven in Nederlandsch-Indië*. Weltevreden: Landsdrukkerij.
- Vlemming, J.L. (1922), *Critisch Antwoord op de Belastingnota van Mr. M. W.F. Treub Voorzitter van den Ondernemersraad voor Nederlandsch-Indië*. Batavia: Javasche Boekhandel.
- Vlemming, J.L. (1924), *De Strijd om de Indische Vennootschapsbelasting. Antwoord van J.L. Vleming Jr. op de Nadere Beschouwing over de Indische Vennootschapsbelasting door Mr. Treub*. Batavia: Indonesische Drukkerij.
- Volkstelling 1930*, Deel II, Dpartement van Economische Zaken. Batavia: Landsdrukkerij.
- Waal, E. de (1864-65), *Aanteekeningen over Koloniale Onderwerpen*, Vol. 1: *De Opiumpacht op Java*; Vol. 4: *De Kleine Verpachte Middelen op Java*, 's-Gravenhage: Martinus Nijhoff.
- Waal, E. de (1865), *Aanteekeningen over Koloniale Onderwerpen*, Vol. I: *De Opiumpacht of Java*. 's-Gravenhage: Martinus Nijhoff.
- Waal, E. de (1865), *Aanteekeningen over Koloniale Onderwerpen*, Vol. III: *Het Zoutmonopolie in Nederlands Indië*'s-Gravenhage: Martinus Nijhoff.
- Waal, E. de (1865), *Aanteekeningen over Koloniale Onderwerpen*, Vol. IV-V: *De Kleine Verpachte Middelen op Java*. 's-Gravenhage: Martinus Nijhoff.

- Wall, S.L. van der (1964), *De Volksraad en de Staatkundige Ontwikkeling van Nederlands-Indië: Een Bronnenpublicatie*. 2 volumes. Groningen: Wolters.
- Wasino (2008), *Kapitalisme Bumiputra: Perubahan Masyarakat Mangkunegaran*. Yogyakarta: LKIS.
- Wellenstein, E.P. (1925), *Het Onderzoek naar Belastingdruk op de Inheemse Bevolking van Nederlandsch- Indië*. Weltevreden: Kolff & Co.
- Wertheim, W.F. (1959), *Indonesian Society in Transition. A Study of Social Change*. 2nd edition. The Hague: Van Hoeve.
- Wertheim, W.F. (1964), *East-West Parallel: Sociological Approaches to Modern Asia*. The Hague: Van Hoeve.
- Westerrode, W.P.D. de Wolff van (1902), *Het Onderzoek naar de Werking der Pandhuispacht en de Proefneming met Eigen Beheer*. 2 Deelen. The Hague: Martinus Nijhoff.
- Westerrode, W.P.D. de Wolff van (1902), “Gegevens te verzamelen noodig voor de beantwoording der vraag, in welchen zin verbetering is aan te brengen in het bestaande stelsel van het uitleenen van kleine geldsommen op pand”, Bijlage M. No. 25, “Extract uit het register der besluiten van den Gouverneur-Generaal van Nederlandsche-Indië,” in W.P.D. de Wolff van Westerrode, et.al., *Het Onderzoek naar de Werking der Pandhuispacht en de Proefneming met eigen beheer*, tweede deel. 's-Gravenhage: Martinus Nijhoff, 1902.
- Westerrode, W.P.D. de Wolff van (1902), “Aanhangsel: Resultaten der proefpandhuizen te Soekaboemi en te Tjiandjoer over het tijdvak 1 Januari tot en met 30 April 1902”, in W.P.D. de Wolff van Westerrode, et.al., *Het Onderzoek naar de Werking der Pandhuispacht en de Proefneming met eigen beheer*, tweede deel ('s-Gravenhage: Martinus Nijhoff, 1902)
- Wettelijk Bepalingen voor de Opiumregie* (1907). Batavia: Landsdrukkerij.
- White, B. (1983), “‘Agricultural Involution’ and its Critics: twenty years after’, *Bulletin of Concerned Asian Scholars*, Vol. 15, No. 2, pp. 18-31.

- Williams, Lea E. (1960), *Overseas Chinese Nationalism: the Genesis of the Pan-Chinese Nationalism in Indonesia, 1900-1916*. Glencoe: The Free Press.
- Williams, M.C. (1982), *Sickle and Crescent: the Communist Revolt of 1926 in Banten*. Ithaca: Modern Indonesia Project, Cornell University.
- Wilson, C.W. (1993), 'Revenue Farming, Economic Development and Government Policy during the Early Bangkok Period, 1830-92', in John Butcher and Howard Dick (eds.) *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia*, London/New York (etc.): Macmillan/St. Martin's Press.
- Wolf, B. (1926), *Gids voor den belasting betaler in Nederlandsch-Indië: tarieven en wenken*. Tweede verm. Uitg. Weltevreden/Amsterdam: Smits/De Bussy.
- Wolf, B. (1932), *Concise guide to the ratepayers in the Dutch East Indies*. Semarang [etc.]: Van Dorp.
- Wong Tai Peng (1979), "The Word Kongsì: A Note", *Journal of the Malaysian Branch, Royal Asiatic Society*, Vol. 52 (1), pp. 102-105.
- Yoshihara Kunio (ed.) (1989), *Oei Tiong Ham Concern: the First Business Empire of Southeast Asia*. Kyoto: Centre for Southeast Asian Studies – Kyoto University.
- Young, K. (1994), *Islamic Peasants and State: The 1908 Anti-Tax Rebellion in West Sumatra*. New Haven: Monograph No. 40, Yale Center for International and Area Studies, Yale University.
- Zanden, J. L. van (2003), "Rich and poor before the Industrial Revolution: a comparison between Java and The Netherlands at the beginning of the 19th century". *Explorations in Economic History*, 40(1), pp. 1-23.
- Zanden, J. L. van (2004), "On the Efficiency of Markets for Agricultural Products. Rice Prices and Capital Markets in 19th Century Java." *Journal of Economic History*, 64(4), pp. 1028-1055.
- Zanden, J. L. van (2007), 'Linking two debates. Money supply, wage labour and economic development in Java in the nineteenth

century' In Jan Lucassen (Ed.), *Wages and Currency: Global comparisons from antiquity to the twentieth century*. Bern: Peter Lang.

Zanden, J. L. van (2009), "Credit and the Colonial State: The reform of capital markets on Java, 1900-1930." In David Henley & Peter Boomgaard (Eds.), *Credit and Debt in Indonesia, 860-1930: From Peonage to Pawnshop, from Kongsis to Cooperative* (pp. 160-177). Singapore: Institute of Southeast Asian Studies.

Zanden, J. L. van and Marks, D. (2012), *An Economic History of Indonesia, 1800-2010*, London/New York: Routledge.

Zanden, J. L. van and van Riel (2004), *The Strictures of Inheritance. The Dutch Economy in the Nineteenth Century*. Princeton: Princeton University Press.

Zhou Yongming (1999), *Anti-drug Crusades in Twentieth-century China: Nationalism, History, and State Building*. Lanham, MD [etc.]: Rowman & Littlefield.

SAMENVATTING

Deze studie analyseert de ontwikkeling van het koloniale belastingsysteem in Indonesië, met name op Java en Madura. Het is vooral gericht op het zogenaamde ‘pachtenstelsel’, een systeem waarbij de koloniale staat tegen een vast tarief licenties uitgifte aan private partijen om belasting te innen van de bevolking. Om politiek-economische redenen integreerde de koloniale regering deze belastinginning in haar belastingsysteem, en vormde op die manier een voorname bron van inkomsten gedurende de negentiende eeuw. Begin twintigste eeuw achtte het koloniale bestuur het noodzakelijk het pachtenstelsel te hervormen en zette daarom het systeem geleidelijk om naar staatsmonopolies en directe belastingen.

Deze studie onderzoekt in chronologische volgorde de twee fasen van het koloniale ‘belastingregimes’: het pachtenstelsel, dat tot het einde van de negentiende eeuw werd toegepast, en het staatsmonopolie en de directe belastingheffing die tot 1942 werden gehanteerd met een overgangperiode tussen 1896 en 1915. Deze belastingstelsels waren verschillend in organisatie en bereik. Desondanks worden zij in deze studie als nauw verbonden beschouwd, omdat het laatste systeem in wezen als vervanger van de eerstgenoemde fungeerde. Dus de transformatie van het pachtenstelsel naar het staatsmonopolie en directe belasting geeft een essentieel onderdeel weer van de institutionele ontwikkeling van de koloniale staat en zijn veranderderende kenmerken.

Het pachtenstelsel was een oude vorm van belastinginning die al sinds de VOC-tijd in gebruik was. Het was een van de lokale belastingen die ingesteld waren door het nieuwe koloniale bestuur toen het een nieuw belastingstelsel nastreefde aan het begin van de negentiende eeuw. Aangezien de uitvoering van het systeem afhankelijk was van private partijen, paste dit systeem uitermate goed bij het principe van indirect bestuur, de kenmerkend politieke strategie die door de Nederlanders werd aangehangen om invloed in de kolonie uit te oefenen. Het systeem was ontstaan als een *ad hoc* oplossing voor een aantal problemen: financiële beperkingen, personeelstekort, het ontbreken van een bestuurlijke organisatie en zwakke politieke legitimiteit. Naast de functie van belastingstelsel werd het pachtenstelsel gedurende de negentiende eeuw door de Nederlanders gebruikt als politiek instrument om hun macht over Java en de andere eilanden in de archipel uit te verstevigen en de eilanden zo te integreren in het gezagsgebied van Nederlands-Indië.

In feite introduceerde de koloniale regering het pachtenstelsel op Java en elders in de archipel om belasting te kunnen innen op consumptie en niet-agrarische activiteiten, met name op de verkoop en het gebruik van opium ('Opiumpacht'), maar ook op de 'kleine verpachte middelen'. Deze bestonden uit ongeveer vijftien belastingen op verschillende soorten economische activiteiten die een belangrijke rol speelden in het leven van de lokale bevolking. Statistieken tonen aan dat tot 1870 de inkomsten uit het pachtenstelsel een substantiële aanvullende bron van inkomsten waren op de inkomsten uit het Cultuurstelsel en de landrente. In de laatste drie decennia van de negentiende eeuw was het pachtenstelsel zelfs de grootste bron van belastinginkomsten voor de koloniale schatkist. Wanneer men het pachtenstelsel in historisch perspectief plaatst kan worden gesteld dat het pachtenstelsel eigenlijk de beste strategie was die de Nederlanders hadden kunnen volgen om te profiteren van de economische positie van de etnisch Chinese minderheid. Door hen aan te wijzen als 'tussenpersonen' lieten de Nederlanders het vuile werk van de koloniale staat opknappen door deze groep agenten, waardoor zij zichzelf beschermenden tegen directe confrontaties met de lokale bevolking.

Dit partnerschap was in feite de voortzetting en institutionalisering van de oude sociaal-politieke verhouding onder de VOC in zeventiende eeuws Batavia, die in de literatuur aangeduid wordt als de ‘Chinees-Nederlandse kolonisatie’.

Het meest opvallende aspect van het pachtenstelsel was het gebrek aan transparantie, omdat de koloniale staat maar beperkte controle had over de uitvoering. De Chinese pachters beschouwden het systeem zuiver als handel of zakelijk en gingen daarom te werk als in een commerciële onderneming om het winstgevend te maken. Onder het pachtenstelsel waren publieke en private belangen of fiscale en commerciële doeleinden sterk verweven, waardoor het niet mogelijk was een duidelijke scheiding te maken. Het was hierdoor onvermijdelijk dat de uitvoering van het pachtenstelsel gevoelig was voor corruptie, afroming, machtsmisbruik en uitbuiting. Overheidsonderzoeken in het laatste decennium van de negentiende eeuw leverden onweerlegbaar empirisch bewijs van de schadelijke gevolgen van het pachtenstelsel, met name van de opiumpacht, voor de samenleving. De onderzoeken toonden ook meedogenloos de zwakte van overheidscontrole op het pachtenstelsel aan, wat de Chinese pachters de gelegenheid bood om hun economische invloed uit te breiden, en daarmee ook de praktijk van het dubbele kolonialisme voort te zetten. Pas vanaf dat moment begon de koloniale regering de situatie als bedreigend te zien, niet alleen voor de sociale structuur van de koloniale bevolking, maar ook voor het gehele bestuur van de koloniale staat.

Onder invloed van de toenemende druk van de ‘civil society’ in het moederland en de nieuwe koers die ingezet was in de koloniale politiek om de levensstandaard van de lokale bevolking te verbeteren, adviseerde het onderzoeksrapport de koloniale regering aan het begin van de twintigste eeuw om het pachtenstelsel te hervormen. De daaropvolgende hervorming werd doorgevoerd middels drie maatregelen: complete afschaffing, het omzetten naar directe heffingen, en het overnemen van pachtenstelsels en die vervangen door een staatsmonopolie. De eerste maatregelen hadden betrekking op tol brugheffingen, markt belasting, belasting op bosexploitatie en belasting op palmsuiker. De tweede maatregel werd gebruikt om de volgende

pachten te hervormen: het slachten van vee en varkens, de handel in eetbare vogelnestjes, de verkoop van alcoholische dranken, tabak en vis en de belasting op Chinese gokspelen en Chinese hoofdelijke belasting. De derde maatregel had betrekking op de grootste en financieel voornaamste pachtstelsels, te weten van opium, pandhuizen en zoutproductie. Tegen het eind van het eerste decennium van de twintigste eeuw had de koloniale regering alle maatregelen van de hervormingen doorgevoerd. De 'kleine verpachten' waren nu omgezet in directe belastingen, zoals slachtbelasting en accijnzen op alcohol en tabak. De 'Opiumregie', 'Pandhuisregie', en 'Zoutregie' hadden nu officieel de pachtstelsels van opium, pandhuizen en zout vervangen. Deze hervormingen hadden Nederlands- Indië dus aantoonbaar veranderd in een 'moderne' fiscale staat, doordat het hele proces van belastinginning van de bevolking nu in handen was van de staatsbureaucratie, en de Chinese pachters geen rol meer speelden.

De koloniale regering beweerde dat het hervormde belastingsysteem, zowel de monopolies als de directe belastingen, waren ingevoerd in het kader van de Ethische politiek, een heilzamere koloniale benadering waarvan het primaire doel was om de leefomstandigheden van de lokale bevolking te verbeteren. In werkelijkheid was de betrokkenheid om de levensstandaard van de bevolking te verbeteren ingegeven door de sociaal-economische omstandigheden in de kolonie. Terugkerende economische recessies in de eerste vier decennia van de twintigste eeuw legden financiële druk op de koloniale regering en dwongen haar om strategische, maar pragmatische fiscale maatregelen te nemen. Als gevolg hiervan was de koloniale Nederlands-Indische regering er aan het einde van de koloniale periode niet in geslaagd de financiële belangen te verenigen met de humanitaire geest van de Ethische politiek. Het streven om de staatsfinanciën op orde te brengen overschaduwden de welvaartsprogramma's die er op waren gericht om openbare voorzieningen te leveren, waardoor de ambivalentie tussen de laat-koloniale staat en haar 'ethische ambities' werden bloot gelegd. De eens gekoesterde visie van een welvaartsbeleid die ingevoerd zou worden door een gemoderniseerde democratie, werd overstemd door

pragmatisme en de interventionistische houding van de koloniale staat en zijn bestuurders.

Met betrekking tot de monopolies op opium, zout en pandhuizen is de hervorming van de koloniale regering in het verbeteren van de efficiëntie en inkomsten uit deze monopolies succesvol te noemen. De overheid faalde daarentegen volledig in het verminderen van de schadelijke gevolgen van deze activiteiten, die al onder het vorige stelsel hadden bestaan, zoals bestuurlijke wanpraktijken, manipulatie, corruptie enzovoorts. Door de inkomsten en winsten die de koloniale regering in toenemende mate ontving uit deze monopolies, had zij adequaat kunnen ingrijpen om de sociale gevolgen van deze praktijken te minimaliseren, maar zij koos er duidelijk voor dit niet te doen. Zowel empirisch bewijs als hedendaagse observaties laten zien dat de bestuurders van deze monopolies de schaduwzijden van hun financiële gewin negeerden of traag reageerden. Ondanks de flinke winsten, faalde bijvoorbeeld het opiummonopolie om de opium gerelateerde gezondheidsproblemen, smokkel en corruptie tegen te gaan. Evenmin slaagde het pandhuismonopolie er in om van de invloed van woekerachtige geldleenpraktijken en andere criminele kredietactiviteiten, met name in rurale gebieden, uit te bannen. Daarnaast werkte het lucratieve zoutmonopolie in het nadeel van de traditionele zoutmakers van Madura, wat op het eiland leidde tot volksverzet tegen de overheid en de collaborerende elite.

De voornaamste problemen in de belastingsector aan het begin van de twintigste eeuw waren het overbelasten van de lokale bevolking en het ontbreken van belastinggelijkheid tussen de verschillende bevolkingsgroepen. Ondanks waarschuwingen van een aantal 'ethici' (aanhangers van de Ethische politiek), om aan deze belangrijke zaken aandacht te besteden, nam de overheid geen stappen om iets te veranderen. Pas in de late jaren twintig stelde de koloniale regering een serie van 'nationale' onderzoeken in naar de belastingdruk op Java en Sumatra. Uit de onderzoeken werd de 'conservatieve' conclusie getrokken dat de algehele indruk was dat de belastingdruk op de lokale bevolking behoorlijk 'redelijk' was en betaalbaar was voor de bevolking. Ondanks deze bewering braken, zeker tot eind jaren twintig, diverse

vormen van anti-belastingprotesten uit in verschillende delen van de Archipel. Deze opstanden wijzen er op dat de koloniale belastingdruk behoorlijk hoog was. Na 1930 bleef de weerstand tegen koloniale belasting bestaan, zelfs de Europeanen waren niet ongeroerd, al richtten zij zich tot de formele kanalen voor het uiten van hun ontevredenheid.

Kortom, toen het pachtenstelsel aan het eind van de negentiende eeuw in de laatste fase was beland, was de koloniale staat op Java niet meer de typische 'nachtwakersstaat' die de meeste uitgaven spendeerde aan oorlogvoering en militaire sectoren. De invoering van de Ethische politiek in 1901 had in feite het koloniale fiscale systeem een stap dichterbij dat van de 'ontwikkelingsstaat' gebracht. Echter, in de jaren twintig werden zowel de inkomsten als uitgaven van de fiscale politiek gestremd door de economische neergang en de opkomst van socialistische en nationalistische bewegingen onder de lokale bevolking. Zij dwongen de koloniale staat het oude interventionistische karakter weer aan te nemen. In navolging van Darwins typering (1997) toonde de laat-koloniale staat in Indonesië de neiging ambitieuzer te zijn worden in zijn belastingpolitiek en fiscale instituties, door te groeien en behoorlijk geïnstitutionaliseerd te raken. De staat was meer proactief en ontwikkelingsgezinder, maar daarin lag ook de kiem van zijn eigen ondergang verscholen in zijn paradoxale beleid waarbij de belangen van de meerderheid, namelijk de lokale bevolking, werden ondermijnd of zelfs genegeerd. Het kan niet ontkend worden dat het koloniale bestuur in Indonesië ten einde kwam met de Japanse invasie in 1942, een aantal erfenissen is echter intact gebleven in hedendaags Indonesië, met name in bestuurlijke kringen. Meer onderzoek is dan ook vereist om die levende koloniale erfenissen beter te begrijpen.

RINGKASAN

Studi ini menganalisis perkembangan sistem perpajakan kolonial di Indonesia, utamanya di Jawa dan Madura. Ia memfokuskan kajiannya pada apa yang disebut *pachtstelsel* atau sewa pajak, sebuah sistem yang dengannya negara kolonial memberikan lisensi kepada kelompok swasta untuk menarik berbagai jenis pajak dari penduduk dengan imbalan finansial yang pasti. Atas alasan-alasan politik-ekonomi, pemerintah kolonial mengintegrasikan sistem penarikan pajak ini ke dalam sistem perpajakannya, dan terbukti sistem itu menjadi salah satu sumber pemasukannya yang penting di sepanjang abad kesembilanbelas. Namun, pada awal abad kedua puluh pemerintah kolonial memandang perlu untuk mereformasi sistem sewa pajak ini, mengubahnya secara bertahap menjadi monopoli dan pajak-pajak yang langsung dikelola negara.

Secara kronologis, studi ini menelaah dua fase 'rejim pajak' kolonial: sistem sewa pajak yang berfungsi hingga akhir abad kesembilanbelas, dan monopoli negara dan pajak langsung yang beroperasi sampai dengan tahun 1942, dengan sebuah periode transisi di antaranya dari 1896 hingga 1915. Kedua rejim fiskal tersebut memiliki organisasi administratif dan cakupan operasi yang berbeda. Meski demikian, dalam studi ini keduanya difahami memiliki keterkaitan yang erat, karena sistem yang terakhir pada dasarnya adalah sebuah sistem pengganti bagi sistem terdahulu. Oleh karena itu, transformasi sistem sewa pajak menjadi monopoli negara dan pajak-pajak yang dikelola langsung negara merepresentasikan sebuah bagian esensial

dari evolusi institutional negara kolonial dan perubahan karakteristik yang menyertainya.

Sistem sewa pajak adalah sebuah sistem penarikan pajak lama yang telah ada sejak masa VOC. Ia merupakan bagian dari pranata pajak lokal yang diadopsi oleh administrasi kolonial baru pada saat ia berupaya membangun sistem perpajakan baru di awal abad kesembilanbelas. Fakta bahwa operasinya melibatkan peran kelompok-kelompok non-negara, berarti bahwa administrasi sistem sewa pajak itu berkaitan erat dengan sistem ‘penguasaan tidak langsung’, sebuah strategi politik khas yang diadopsi bangsa Belanda untuk mempertahankan kekuasaan kolonialnya. Sistem tersebut dikembangkan sebagai sebuah solusi *ad hoc* bagi sejumlah persoalan: keterbatasan finansial, kekurangan sumber daya manusia, dan ketiadaan legitimasi politik. Terlepas dari fungsinya sebagai sebuah institusi fiskal, sepanjang abad kesembilan belas bangsa Belanda juga menggunakan sistem sewa pajak sebagai sebuah instrumen politik untuk mengkonsolidasikan kontrolnya atas Jawa dan pulau-pulau lain di Nusantara, mengabungkannya ke dalam wilayah negara Hindia Belanda.

Pemerintah kolonial pada dasarnya memperkenalkan sistem sewa pajak di Jawa dan wilayah lain di Nusantara untuk bisa mengumpulkan pajak dari berbagai aktivitas konsumsi dan sektor non-pertanian, utamanya dari penjualan dan konsumsi opium, tetapi juga dari ‘sumber-sumber keuangan kecil’. Yang terakhir ini terdiri dari paling banyak lima belas jenis pajak yang ditarik dari berbagai aktivitas ekonomi yang memainkan peran penting dalam kehidupan penduduk bumi putra. Data statistik pemerintah kolonial menunjukkan bahwa sampai dengan 1870 pemasukan dari sistem sewa pajak telah memberikan pendapatan tambahan yang substansial terhadap keuntungan Sistem Tanam Paksa dan pajak tanah (*landrent*). Lebih dari itu, di tiga dekade terakhir abad kesembilanbelas, sistem sewa pajak memberikan kontribusi pemasukan terbesar bagi keuangan pemerintah kolonial. Dengan menempatkan sistem sewa pajak dalam perspektif historis, bisa dikatakan bahwa sistem sewa pajak merupakan strategi terbaik yang digunakan penguasa kolonial Belanda untuk mengeksploitasi posisi dominan ekonomi minoritas

etnik Cina. Dengan memilih mereka sebagai kelompok perantara, bangsa Belanda secara efektif mengalih-tangankan ‘pekerjaan kotor’ dari negara kolonial kepada kelompok komprador (*comprador*) ini, sehingga denganya mereka terhindar dari konfrontasi langsung dengan penduduk bumiputra. Faktanya, kerjasama tersebut merupakan sebuah kelanjutan dan institusionalisasi dari konstruksi sosio-politik lama yang berkembang di Batavia pada abad ketujuhbelas di bawah VOC, yang dalam literatur disebut sebagai ‘kolonialisasi Sino-Belanda’.

Ciri paling menonjol dari sistem sewa pajak adalah tidak adanya transparansi, karena negara kolonial hanya memiliki kontrol yang lemah atas operasinya. Sementara orang-orang Cina penyewa pajak memandang sistem ini murni sebagai sebuah bisnis, dan karenanya menjalankannya sebagai sebuah aktivitas komersial untuk memperoleh keuntungan. Di bawah sistem sewa pajak ini, kepentingan publik (negara) dan pribadi (swasta) bercampur aduk sehingga mengaburkan jarak pemisahan di antara keduanya. Akibatnya, dalam prakteknya sistem sewa pajak rentan terhadap praktek korupsi, kebocoran keuangan, penyalahgunaan wewenang dan penindasan. Beberapa laporan investigasi pemerintah di akhir abad kesembilan belas menghasilkan bukti-bukti empiris yang menunjukkan berbagai dampak buruk dari sistem sewa pajak ini, utamanya dari lisensi pajak opium, terhadap penduduk Hindia Belanda. Investigasi tersebut juga mengungkapkan lemahnya pengawasan pemerintah terhadap kerja sistem sewa pajak yang ternyata telah memberikan keleluasaan bagi penyewa pajak Cina untuk memperluas pengaruh ekonominya, sehingga memperpanjang praktek kolonialisme ganda di Hindia Belanda. Baru pada kondisi inilah pemerintah kolonial mempertimbangkan situasi tersebut membahayakan, tidak saja terhadap kondisi sosial penduduk kebanyakan tetapi juga terhadap administrasi negara kolonial secara keseluruhan.

Seiring dengan menguatnya tekanan politik dari ‘masyarakat sipil’ di negara induk dan diadopsinya arah baru kebijakan kolonial yang bertujuan untuk memperbaiki standar kehidupan masyarakat bumiputra, investigasi tersebut merekomendasikan pemerintah kolonial untuk mereformasi sistem sewa pajak di awal abad kedua puluh.

Reformasi yang dimaksud pun akhirnya dilakukan dengan mengambil tiga bentuk cara: penghapusan sepenuhnya, konversi menjadi pajak yang dikelola langsung negara, dan pengambilalihan sewa pajak-sewa pajak besar dan menggantinya dengan monopoli negara. Cara pertama diberlakukan pada sewa pajak tol, pajak pasar, pajak pengolahan hutan dan pajak gula kelapa. Cara kedua diambil untuk memperbaiki sewa pajak-sewa pajak berikut ini: penyembelihan ternak dan babi, perdagangan sarang burung walet, penjualan minuman keras, tembakau dan ikan, pajak perjudian ala Cina dan pajak kepala. Cara ketiga dipilih untuk diterapkan pada sewa pajak-sewa pajak terbesar, yang terpenting secara finansial, yaitu pajak opium, pegadaian dan produksi garam. Pada akhir tahun 1910an, pemerintah kolonial berhasil menyelesaikan semua tahapan dalam agenda reformasinya tersebut. Semua sewa pajak kecil (*kleine verpachten*) kini telah dirubah menjadi pajak-pajak yang dikelola langsung negara, seperti pajak penyembelihan binatang, cukai minuman keras dan cukai tembakau. Monopoli opium (*opiumregie*), monopoli pegadaian (*pandhuisregie*), dan monopoli garam (*zoutregie*) dibentuk untuk menggantikan lisensi sewa pajak opium, pegadaian dan garam. Langkah reformasi ini bisa dikatakan telah mentransformasikan Hindia Belanda menjadi sebuah negara 'fiskal modern' karena seluruh proses penarikan pajak kini berada di tangan birorasi negara dan menghilangkan sepenuhnya peran pengusaha Cina penyewa lisensi pajak.

Pemerintah kolonial mengklaim bahwa sistem pajak yang baru – hasil reformasi tersebut, baik monopoli maupun pajak langsung, diberlakukan dengan mengadopsi semangat Politik Etis, sebuah pendekatan kolonial yang lebih ramah yang tujuan utamanya adalah untuk meningkatkan taraf hidup masyarakat bumiputra. Kenyataannya, komitmen untuk meningkatkan taraf hidup penduduk bumiputra tersebut terbentur oleh kondisi sosio-ekonomi yang tidak menguntungkan di tanah jajahan. Resesi ekonomi yang berulang kali terjadi selama empat dekade pertama abad keduapuluh telah menciptakan hambatan finansial kepada pemerintah kolonial dan memaksanya untuk mengambil pendekatan fiskal strategis namun pragmatis. Konsekuensinya, hingga berakhirnya periode

kolonial, pemerintah Hindia Belanda gagal untuk mempertemukan kepentingan finansial dan semangat kemanusiaan yang diusung Politik Etis; keinginan untuk menciptakan neraca keuangan yang berimbang telah mengubur program-program kesejahteraan yang didesain untuk memenuhi kepentingan publik, sebuah situasi yang mengungkapkan ambivalensi negara kolonial dengan ‘aspirasi etik’-nya. Visi dari kebijakan-kebijakan berorientasi kesejahteraan yang sebelumnya dipegang kuat untuk diimplementasikan oleh sebuah birokrasi modern, tergerus oleh pragmatisme dan perilaku politik intervensionis negara kolonial dan para administratornya.

Studi kasus atas kinerja lembaga monopoli opium, garam dan pegadaian, menunjukkan bahwa program reformasi pemerintah kolonial bisa dikatakan berhasil memperbaiki efisiensi dan pemasukan dari ketiga monopoli tersebut. Meski demikian, pemerintah kolonial gagal untuk mengatasi efek-efek buruk dari ketiganya, berbagai masalah yang berkembang luas didalam sistem sewa pajak, diantaranya adalah penyimpangan-penyimpangan administratif, manipulasi, korupsi dan sejenisnya. Mengingat pemasukan keuangan yang diperoleh darinya sangat besar, pemerintah kolonial seharusnya bisa melakukan lebih banyak upaya untuk mengurangi konsekuensi-konsekuensi sosial dari bisnis-bisnis tersebut, sesuatu yang ternyata tidak dilakukannya. Berbagai bukti empiris dan pengamatan kontemporer menunjukkan bahwa para pengelola ketiga monopoli tersebut telah mengabaikan atau memberikan respon yang lambat atas berbagai dampak buruk dari pencapaian finansial mereka. Meskipun memperoleh keuntungan yang sangat besar, jawatan monopoli opium – misalnya – gagal untuk mengatasi masalah kesehatan yang timbul dari konsumsi opium, termasuk juga penyelundupan dan korupsi. Demikian pula halnya, jawatan monopoli pegadaian juga tidak berhasil mengurangi pengaruh praktek-praktek peminjaman uang berbunga tinggi dan aktivitas-aktivitas kredit ilegal lainnya, terutama di daerah pedesaan. Selain itu, monopoli garam yang sangat menguntungkan itu beroperasi dengan mengorbankan para pembuat garam tradisional Madura, sehingga memicu terjadinya perlawanan rakyat di pulau itu terhadap pemerintah kolonial dan kelompok elit yang berkolaborasi dengannya.

Di sektor perpajakan, isu-isu paling penting pada awal abad kedua puluh adalah masalah beban pajak berlebihan yang ditanggung penduduk bumiputra dan tidak adanya kesetaraan pajak (*tax equity*) di antara berbagai kelompok penduduk. Walaupun kalangan 'ethici' (para pendukung Politik Etis) telah memperingatkan bahwa isu tersebut adalah masalah mendesak yang harus ditangani, pemerintah kolonial tidak melakukan upaya apapun untuk mengatasinya. Hanya sesudah pertengahan 1920-an, pemerintah kolonial meluncurkan serangkaian investigasi 'tingkat nasional' mengenai masalah beban pajak di Jawa dan Sumatra. Investigasi-investigasi tersebut menghasilkan kesimpulan-kesimpulan 'konservatif' yang menyatakan bahwa secara umum beban pajak di kalangan penduduk bumiputra adalah 'cukup masuk akal' dan masih dalam batas kemampuan mereka untuk membayarnya. Meskipun ada klaim seperti itu, setidaknya hingga akhir 1920an, berbagai bentuk protes anti-pajak bermunculan di beberapa bagian Nusantara. Perlawanan-perlawanan tersebut menunjukkan bahwa beban pajak kolonial adalah sebenarnya cukup berat dan menekan. Sesudah 1930, ketidakpuasan atas pajak-pajak kolonial masih tetap hidup, bahkan di kalangan orang-orang Eropa sekalipun, meskipun ekspresi ketidakpuasan tersebut hanya mereka salurkan lewat jalur-jalur formal.

Di atas segalanya, ketika sistem sewa pajak mencapai fase akhirnya di penghujung abad kesembilanbelas, negara kolonial di Jawa sebenarnya telah mulai menanggalkan karakternya sebagai sebuah 'negara penjagamalam' (*night-watchman state*), yang lebih banyak mengalokasikan pengeluarannya untuk membiayai peperangan dan pengembangan kekuatan militer. Diperkenalkannya Politik Etis pada tahun 1901, faktanya, membawa sistem fiskal negara kolonial ini satu langkah lebih dekat menuju ke arah negara 'pembangunan' (*developmental*). Namun demikian, pada tahun 1920an kebijakan fiskal kolonial, baik dari sisi pemasukan maupun sisi pengeluaran, terhambat oleh kemunduran ekonomi dan kemunculan gerakan-gerakan sosialis dan nasionalistik di tengah masyarakat bumiputra yang kemudian memaksa negara kolonial untuk mengadopsi kembali karakter lamanya yang bersifat intervensionis. Mengikuti karakterisasi Darwin (1997), dari segi

kebijakan-kebijakan pajak dan institusi-institusi fiskalnya, negara kolonial akhir di Indonesia menunjukkan sebuah kecenderungan untuk berkembang menjadi lebih ambisius, lebih luas cakupannya dan sangat padat kelembagaannya. Ia juga semakin menjadi proaktif dan mengutamakan pembangunan (*developmental*), namun juga menebar bibit-bibit penghancuran diri-sendiri sebagaimana tercermin dari kebijakan-kebijakannya yang bersifat paradoks, yang mengkebiri atau bahkan mengabaikan kepentingan kelompok mayoritas, yakni penduduk bumiputra. Tidak bisa dipungkiri, administrasi negara kolonial di Indonesia memang diakhiri oleh invasi tentara Jepang pada tahun 1942, namun beberapa warisannya masih tetap bertahan di Indonesia hingga saat ini, khususnya dalam lingkaran administrasi negara. Oleh karena itu, penelitian lebih lanjut dibutuhkan untuk memahami warisan-warisan kolonial yang masih hidup tersebut secara lebih baik.